

OUR SHARED PROSPEROUS FUTURE



An agenda for values-led trade, inclusive growth
and sustainable jobs for the Commonwealth

INQUIRY FINAL REPORT

APRIL 2018

All-Party Parliamentary Group
for Trade Out of Poverty



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FOREWORD

We have great pleasure in presenting the Final Report of our Inquiry into the potential of the Commonwealth for lifting people out of poverty through enhanced trade and investment, which was commissioned by the UK All Party Parliamentary Group for Trade Out of Poverty in September 2017.

The Commonwealth presents the paradox of including some of the world's fastest growing and most exciting economies, yet at the same time its citizens being, on average, twice as likely to live in extreme poverty (less than US \$2 per day) compared to the world as a whole. There is therefore a clear imperative for accelerating sustainable, inclusive economic development across the developing countries of the Commonwealth in line with the values and principles of its Charter and with the United Nations' Sustainable Development Goals.

In our evidence-gathering sessions with witnesses and experts, and in our discussions with ministers of member states, it was clear that there is a deep reserve of goodwill for the Commonwealth. What is needed is to harness this goodwill and focus it on a set of deliverable actions to deepen trade and investment for inclusive development within the Commonwealth. We received a strong message that these actions should be values-led and ensure that lifting people from poverty through boosting incomes, spreading new technologies, and creating jobs is the underlying aim of enhanced trade and investment.

Our central message is that at CHOGM 2018 in London, Commonwealth leaders should give a mandate for a new Commonwealth agenda on trade and investment for inclusive development. This should be framed in a longer-term view, with a work-programme developed during the UK's two year Chair-in-Office period, and then fully scaled-up at CHOGM 2020 in Kuala Lumpur for the decade up to 2030, to align with the delivery of the Sustainable Development Goals.

Our recommendations balance the need for the Commonwealth to do even better what it already does well, with the need also to innovate. We respectfully suggest some of the areas where new thinking might be helpful across the five priority areas we have identified. In particular, we suggest actions that can directly support wider economic activity for women and young entrepreneurs.

As Commonwealth leaders gather in London next month for CHOGM 2018, we hope that, like our distinguished Inquiry Committee, they will see the potential of the Commonwealth for helping developing countries trade out of poverty, and will find our findings and recommendations worthy of careful consideration and support.



Lord Jeremy Purvis of Tweed



Hon Okechukwu Enelamah
Minister of Industry, Trade and Investment, Nigeria

Co-Chairs, Inquiry Committee, March 2018

PREFACE

As Co-Chairs for the All Party Parliamentary Group for Trade Out of Poverty (APPG-TOP), in collaboration with our valued partners at the Overseas Development Institute, we are pleased to release this report: *Our Shared Prosperous Future: An agenda for values-led trade, inclusive growth and sustainable jobs for the Commonwealth*.

The Inquiry has been made possible as a result of evidence sessions and oral hearings conducted over five months, as well as a series of meetings with Commonwealth trade ministers at WTO MC11 in Buenos Aires, Argentina. The distinguished Inquiry Committee, led by Lord Purvis of the UK and Minister Enelamah of Nigeria and supported by the APPG-TOP Secretariat, have worked to capture a range of perspectives from all over the Commonwealth.

This Inquiry is incredibly timely; not just from UK's perspective but for the whole Commonwealth family. The Commonwealth encompasses some of the largest and smallest, most developed and least developed countries in the world. On the one hand, intra-Commonwealth trade has boomed, in recent years, reaching £525 billion in 2015. At the same time, however, the levels of poverty within the Commonwealth remain persistently high; reaching levels of nearly twice the global average.

By hosting CHOGM in London in April 2018, the UK is presented with an important opportunity to champion the great potential of the Commonwealth for tackling this poverty, through innovative trade and investment solutions which promote sustainable, inclusive economic growth, building on the unique strengths of the Commonwealth and our shared values.

We hope this report and its recommendations are taken up by all Commonwealth members, institutions and affiliated organisations. And we hope that with the UK being the Commonwealth chair-in-office for the next two years, the UK can play its full part in helping pave the way for a workable agenda on Trade and Investment for Development for the Commonwealth.

As UK parliamentarians, maintaining a close and progressive relationship with all Commonwealth countries is of paramount importance. The UK and Commonwealth share a longstanding bond and an exciting future. Like any family, we work best when we are united and stand together.



James Cleverly MP



Sarah Champion MP

Co-Chairs of the All Party Parliamentary Group on Trade Out of Poverty

WELCOME MESSAGE

I welcome this timely Inquiry by the All-Party Parliamentary Group for Trade Out of Poverty.

Prosperity will be a core theme of next month's Commonwealth Heads of Government Meeting – which reflects the reality that many member Governments and their business communities are waking up to the trade and investment potential of the Commonwealth network.

The global economic landscape has changed dramatically in the two and a half years since the Commonwealth Heads of Government Meeting in Malta in November 2015. The world is a less certain place and the threat of rising protectionism is all too real. Growth in global trade is flatlining and Governments are disconnecting at a time when the rest of the world is more connected than ever before.

A Commonwealth united in support of free enterprise, fair trade and the multilateral trading system is more important than ever before. If the Commonwealth is to be truly relevant, both on the global stage and to its 53 member countries and 2.4 billion citizens, we will need to be more ambitious about what we can achieve together.

We must provide meaningful support to allow the economies of our countries to flourish. The Commonwealth needs strong, well resourced, institutions to help achieve this. There is also an opportunity to rethink the development support provided to lower income countries, and give those countries, their industries and their entrepreneurs the opportunity to compete more fairly; creating more sustainable trade, investment and employment opportunities in the process.

We look forward to working with the APPG to publicise and implement these recommendations.



Lord Marland of Odstock

Chairman, Commonwealth Enterprise and Investment Council, March 2018

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LIST OF COMMONWEALTH MEMBER COUNTRIES

Africa (19)

Botswana
Cameroon
Gambia, The
Ghana
Kenya
Lesotho
Malawi
Mauritius
Mozambique
Namibia
Nigeria
Rwanda
Seychelles
Sierra Leone
South Africa
Swaziland
Uganda
United Republic of Tanzania
Zambia

Asia (7)

Bangladesh
Brunei Darussalam
India
Malaysia
Pakistan
Singapore
Sri Lanka

Caribbean & Americas (13)

Antigua and Barbuda
Bahamas, The
Barbados
Belize
Canada
Dominica
Grenada
Guyana
Jamaica
Saint Lucia
St Kitts and Nevis
St Vincent and The Grenadines
Trinidad and Tobago

Europe (3)

Cyprus
Malta
United Kingdom

Pacific (11)

Australia
Fiji
Kiribati
Nauru
New Zealand
Papua New Guinea
Samoa
Solomon Islands
Tonga
Tuvalu
Vanuatu

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LIST OF ACRONYMS & ABBREVIATIONS

ACP Group	African, Caribbean and Pacific Group of states	IO	International Organisations
AFT	Aid for Trade	ITC	International Trade Centre
APEC	Asia-Pacific Economic Cooperation	LDCs	Least Developed Countries
APPG-TOP	All-Party Parliamentary Group for Trade Out of Poverty	MC11	11th WTO Ministerial Conference
ASEAN	Association of South East Asian Nations	MFN	Most-Favoured Nation
CARICOM	Caribbean Community	MSMEs	Micro, Small and Medium-sized Enterprises
CBD	Caribbean Development Bank	NCTF	National Committee on Trade Facilitation
CBGM	Central Bank Governors Meeting	NTB	Non-Tariff Barrier
CBW	Commonwealth Businesswomen's Network	NTM	Non-Tariff Measure
CFMM	Commonwealth Finance Ministers Meeting	NGO	Non-Governmental Organisation
CHOGM	Commonwealth Heads of Government Meeting	ODI	Overseas Development Institute
CPA	Commonwealth Parliamentary Association	OECD	Organisation for Economic Co-operation and Development
CTMM	Commonwealth Trade Ministers Meeting	OECS	Organisation of Eastern Caribbean States
CTO	Commonwealth Telecommunications Organisation	PIFS	Pacific Islands Forum Secretariat
CWEIC	Commonwealth Enterprise and Investment Council	SADC	Southern African Development Community
CVI	Commonwealth Vulnerability Index	SIDS	Small Island Developing States
DFAT	Australia's Department of Foreign Affairs and Trade	SDGs	Sustainable Development Goals
EAC	East African Community	SMEs	Small and Medium-sized Enterprises
EIF	Enhanced Integrated Framework	SPS	Sanitary and Phyto-sanitary
EPA	Economic Partnership Agreement	SSA	Sub Saharan Africa
EU	European Union	SVEs	Small and Vulnerable Economies
FDI	Foreign Direct Investment	TBT	Technical Barriers to Trade
GDP	Gross Domestic Product	TFA	Trade Facilitation Agreement
ICT	Information communication technologies	TRIPS	Trade-Related Aspects of Intellectual Property Rights
ICTSD	International Centre for Trade and Sustainable Development	UN	United Nations
IMF	International Monetary Fund	UNCTAD	The United Nations Conference on Trade and Development
		WCO	World Customs Organisation
		WTO	World Trade Organisation

ACKNOWLEDGEMENTS

The Inquiry Committee wishes to record our sincere thanks to all those who have taken the time to meet with us, provided us with evidence at our public hearings and assisted in the undertaking of this Inquiry.

The Inquiry Committee would also like to record our thanks to all those who submitted written evidence and agreed to publish their submissions on the APPG-TOP website.

The APPG-TOP would like to thank CPA UK for a grant to send our Inquiry Committee co-chair, Lord Jeremy Purvis, to Buenos Aires to undertake a number of key meetings with Commonwealth Trade Ministers and heads of international institutions at the WTO 11th Ministerial Conference in December 2017. This added substantially to the quality of the Inquiry and enabled valued insights to be incorporated into the evidence-gathering process.

Finally, the APPG-TOP would like to extend its thanks to all of the Inquiry Committee Members for their time and dedication to this Inquiry:

- Lord Jeremy Purvis of Tweed (Co-Chair)
- Hon. Okechukwu Enelamah (Co-Chair)
- Mr Chi Atanga
- Ms Catherine Clark
- Ms Patricia Francis
- Ms Trudi Hartzenberg
- Ms Lisa McAuley
- Mr Steven Pope
- Mr Phil Rourke
- Mr Harsha Vardhana Singh
- Ms Angela Strachan
- Dr Dirk Willem te Velde

DISCLAIMER

This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its Committees. All-Party Parliamentary Groups are informal groups of members of both Houses with a common interest in particular issues. The views expressed in this report are those of the group.

OUR SHARED PROSPEROUS FUTURE

Executive summary

Comprising 53 member states, spanning nearly every continent, the Commonwealth has an enduring shared history, culture and language. The Commonwealth is home to 2.4 billion people, and counts within its family some of the world's richest, largest, smallest, poorest, and most vulnerable countries. Perhaps most importantly, the 53 member countries share a set of values and principles, enshrined in the *Commonwealth Charter*, covering commitments in sixteen areas including democracy, good governance, the rule of law, human rights, gender equality, access to health and education, and sustainable economic development.

Despite the Commonwealth's strong commitment to supporting sustainable economic development, shared prosperity remains a major challenge. Fourteen of the Commonwealth's members are among the United Nations Least Developed Countries (LDCs) and the incidence of extreme poverty is most widespread in Commonwealth Africa and South Asia. Nearly 1 in 5 people in the Commonwealth live below the international poverty line of \$1.9 per day. This is almost twice the global average according to the United Nations, so people in the Commonwealth are twice as likely to live in extreme poverty as those in non-Commonwealth countries.

ABOUT THE INQUIRY

Undertaken jointly by the UK All-Party Parliamentary Group for Trade Out of Poverty (APPG TOP) and the Overseas Development Institute (ODI), with a distinguished Committee of eminent persons, our Inquiry aimed to examine the potential of the Commonwealth family to help its developing country members trade out of poverty. Our Inquiry builds on the *10 Commonwealth policy priorities for trade and development* presented at the Commonwealth Trade Ministers Meeting (CTMM) in March 2017.

Following the success of that publication, and the appetite for a deeper consideration and consultation on this topic, our Inquiry aimed to make concrete and practical recommendations to Commonwealth governments,

institutions, business and civil society leaders for meeting the common goals of promoting shared prosperity and sustainable economic development. Since the launch of our Inquiry in September 2017, we have received over 50 written evidence submissions and held evidence-gathering sessions with more than 40 stakeholders, including the Commonwealth Secretary General, the Chairman of the Commonwealth Enterprise and Investment Council, the Secretary General of the Commonwealth Parliamentary Association (CPA), the former Director-General of the Organisation of Eastern Caribbean States, and the Trade Ministers or WTO Ambassadors of Australia, Botswana, Canada, Ghana, Lesotho, Malaysia, the Pacific Islands Forum and the UK.

THE CASE FOR A NEW COMMONWEALTH AGENDA ON TRADE FOR DEVELOPMENT

In Part 2 of our Report, we consider the arguments and evidence for the Commonwealth to adopt an ambitious values-led agenda on *Trade and Investment for Inclusive Development*, focused on harnessing the potential of trade and investment to lift its poorest citizens, and most vulnerable small economies, out of poverty. Overall, our Inquiry found there to be a compelling case for the Commonwealth to adopt and pursue such an agenda, which can be summarised in four main arguments:

- The Commonwealth's untapped trade potential for all its members, and the booming markets of its fast-growing large developing economies like India, Nigeria, Pakistan and Bangladesh.
- The power of trade and investment for promoting sustainable economic development and lifting millions of Commonwealth citizens out of poverty.
- The Commonwealth's solid existing platform for working on *Trade and Investment for Inclusive Development*, which provides a strong foundation for our proposed agenda.
- The Commonwealth's intrinsic strengths and assets, which would enable it to shape more efficient and equitable trading arrangements for its members.

The Commonwealth's intrinsic strengths and assets enable it to shape more efficient and equitable trading arrangements for its members.

PRIORITY AREAS FOR FUTURE ACTION

In Part 3 of our Report, we set out five priority action areas that, based on the evidence we have gathered, we believe a new Commonwealth agenda on *Trade and Investment for Inclusive Development* should focus on:

- Reducing the costs and risks of trade and investment
- Boosting services trade through regulatory co-operation
- Making trade more inclusive: women, young people and SMEs
- Addressing the special needs of small and vulnerable states
- Strengthening partnerships: government, business, diaspora, civil society

For each of these five priority action areas, we offer a series of recommendations and proposals for consideration and adoption by the Commonwealth. These recommendations are intended to be concrete and practical in nature, and are meant to contribute to the development of a forward-looking, long-term work-programme that we hope can be agreed by Commonwealth Trade Ministers before their next meeting.

A ROADMAP FOR NEXT STEPS AND THE WAY FORWARD

In Part 4 of our Report, we set out a road-map of next steps, focusing on how the Commonwealth can make this agenda happen and turn potential into reality. We lay out detailed guidelines for a High-Level Task Force to draw-up the work programme, governance and working processes over the first two years following the Commonwealth Heads of Government Meeting (CHOGM) 2018, calling on Commonwealth leaders to establish the political direction and mandate. We also look ahead to the milestone of CHOGM 2020 in Malaysia, which we believe can serve as a platform for taking stock of progress achieved, reviewing lessons-learned,



Worker doing maintenance in the workshops. Mozambique. Photo: Eric Miller/World Bank. CC BY-NC-ND 2.0.

and agreeing plans for scaling-up the work programme in the decade leading up to 2030 to ensure close alignment with the United Nations Sustainable Development Goals (SDGs).

As the UK becomes the Commonwealth Chair-in-Office at the beginning of CHOGM 2018 in April, we believe that the UK should use this advocacy role to ensure the successful establishment of a work-programme for the new Commonwealth agenda on *Trade and Investment For Inclusive Development*, working with a High Level Task Force to crowd-in support from member countries, Commonwealth institutions and external partners like UNCTAD, the International Trade Centre (ITC), the WTO, and the World Bank. We have also taken to heart the strong message that we heard from stakeholders during our Inquiry, that the new work-programme to be developed should be clearly focused on concrete actions aimed at achieving measurable results with a realistic and detailed timetable for delivery up to 2030.



Allocating roles, resources and accountabilities, and ensuring rigorous, transparent monitoring, are all important aspects of how the Commonwealth should approach this work-programme.

Within the framework of the work-programme, a number of topic-based Expert Working Groups should be established, supported by the Commonwealth Secretariat and other Commonwealth institutions. These groups would serve as platforms for engaging representatives from governments, the private sector and civil society to support implementation of the overall work-programme activities. With the success of the CTMM meeting last year, we believe that bi-annual meetings of Commonwealth Trade Ministers should be held, providing an appropriate high-level oversight mechanism and allowing for progress reports and new proposals to be submitted to Commonwealth leaders through the bi-annual CHOGM process.

Finally, we recognise that some Commonwealth members may have reservations about expanding the work of the Commonwealth on trade. The interests of Commonwealth members are not entirely homogenous. Our ultimate conclusion, however, is that the rationale for this agenda is fundamentally anchored in the values of the *Commonwealth Charter* itself. An ambitious new work-programme on *Trade and Investment for Inclusive Development* is the key for realising the potential of the Commonwealth in promoting sustainable economic development for all its members and citizens, and securing our shared, prosperous future. Moreover, we recognise that, whilst some of our recommendations are achievable with little or no cost involved to member states or to the Commonwealth Secretariat, additional investment will be required to fully implement the new work-programme. Our hope is that this Report helps to make the case for these additional resources to Commonwealth member countries, and demonstrates the returns that can be achieved.

SUMMARY OF RECOMMENDATIONS AND PROPOSALS

1. Reducing the costs and risks of trade and investment

- i. Commonwealth member states, working with their external partners, should commit to a comprehensive, long-term trade facilitation action plan, with a portfolio of national and regional actions aimed at achieving a headline target reduction in trading costs for goods across borders in Commonwealth countries of 15% by 2030.
- ii. All 49 Commonwealth member countries in the WTO, who have not done so already, should ratify the WTO Trade Facilitation Agreement (TFA) and submit their Category A, B and C notifications to the WTO by December 2018. Commonwealth member countries in the WTO should agree to conduct regular reporting, knowledge-sharing and expert dialogues on implementation of WTO TFA provisions, particularly Category C provisions notified by developing Commonwealth WTO members.
- iii. Commonwealth members should establish a working group for Commonwealth National Trade Facilitation Committee Chairs to help support each Commonwealth WTO member establish a functioning national level body, as required by the WTO TFA, and facilitate co-operation between them. Representatives from industry, international organisations and the Global Alliance on Trade Facilitation should also be invited to participate in the working group.
- iv. Commonwealth members should establish an e-commerce working group to facilitate deeper co-operation and information sharing. This should include work stemming from the WTO E-commerce work programme and the Enabling E-commerce initiative. The working group should develop policy responses and programmes to meet information communication technologies (ICT) trade-related needs in collaboration with international

Commonwealth members, working with their external partners, should commit to a comprehensive, long-term trade facilitation action plan.

agencies such as the WTO, UNCTAD, WCO, the ITC and others. The working group should align itself closely, and work in conjunction with the *Connectivity Agenda* adopted at the March 2017 CTMM.

- v. Commonwealth member countries, working with external partners like UNCTAD, should commit to a long-term investment-for-trade action plan, with a portfolio of national and regional actions aimed at increasing responsible private sector investment into productive capacity in export sectors in Commonwealth developing and small and vulnerable economies. The work programme should encompass enhanced co-operation between Commonwealth governments, the Commonwealth Secretariat, the Commonwealth Enterprise and Investment Council (CWEIC), and the private sector, on practical measures for reducing costs, time and risks related to investment, investment promotion and business dialogues, and maximising the contribution of foreign direct investment (FDI) for industrial upgrading, sustainable growth and creating decent work which is inclusive of young people and women, in line with SDG 4.
- vi. Within their own countries, Commonwealth member states should improve governance and transparency of the national regulatory frameworks and institutions for trade and investment. Supported by an expansion of the training and capacity building programmes of the Commonwealth Secretariat and the CPA, Commonwealth members should simplify legislation; improve parliamentary scrutiny of customs, border and investment agencies; institute robust appeals mechanisms for importers and exporters; and digitise processes such as customs clearance, investment permits, business registration and tax assessments.

2. Boosting services trade through regulatory co-operation

- i. Commonwealth members states, working with external partners like UNCTAD and ITC, should develop a comprehensive long-term action plan,

supported by a new Expert Working Group, on expanding intra-Commonwealth services trade, with a portfolio of national and regional actions aimed at identifying, quantifying and tackling regulatory barriers to services trade in Commonwealth developed and developing countries.

- ii. As part of the Expert Working Group's remit, a knowledge-sharing platform should be developed where Commonwealth member country policymakers, regulators and industry representatives can share best-practices and problem-solving approaches in terms of regulatory development and alignment in services sectors. This could draw on the experiences of the Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN), the World Bank and the OECD who run initiatives concerning regulatory reform, including harmonisation.
- iii. The Commonwealth Secretariat, working with member governments, international organisations like the IMF, and services industry players, through the CWEIC, should scale-up its analytical work and disaggregated data collection activities on trade in services across the Commonwealth.

3. Making trade more inclusive: women, young people and SMEs

- i. Commonwealth member countries and institutions like CWEIC and other accredited Commonwealth business organisations should scale-up their partnerships with ITC around the *SheTrades* initiative to support more women-owned businesses to get into exporting, with the aim of operationalizing *SheTrades* in each Commonwealth country and assisting 1 million women-owned businesses over the next 10 years. This aligns closely with the aims of SDG 5.
- ii. CWEIC should develop a new Commonwealth Young Entrepreneurship programme to highlight the importance of young entrepreneurs for job creation

The Commonwealth should better recognise the contribution of its diaspora and civil society to trade and investment for inclusive development.

- and boosting economic growth, as well as the specific challenges that they face. The programme can provide a platform to share opportunities for young entrepreneurs in the public and private sector, facilitate young entrepreneur mentoring in e-commerce and business-to-business connections, and develop toolkits for trade promotion agencies and finance institutions to develop tailored services for young entrepreneurs. Again, this would be in line with SDG 4.
- iii. The Commonwealth Secretariat should extend the Hubs and Spokes programme and increase its support to Commonwealth developing countries in designing trade policies and domestic regulations that are better oriented and tailored to addressing the needs of women, young entrepreneurs and SMEs. This can be carried out in collaboration with other agencies doing similar activities, such as UNCTAD and UN Women.
 - iv. CWEIC should pro-actively encourage more Commonwealth business leaders and enterprises to sign up to the Global Compact and UN Women's 7 Empowerment Principles in line with SDG 5. Working together, CWEIC and the Commonwealth Secretariat should also pro-actively encourage more financiers such as export credit agencies in Commonwealth member countries to address the specific constraints faced by SMEs in accessing credit and trade finance (for instance, through a partnership with the Berne Union), in line with SDG 8.
 - v. Commonwealth member countries and institutions like CWEIC and other accredited Commonwealth business organisations should explore the potential to develop a Commonwealth Fair and Sustainable Trade initiative, aimed at expanding and improving opportunities and conditions for producers and workers in domestic and export sectors as part of a Commonwealth commitment to meeting SDG 8 on decent work.

4. Addressing the special needs of small and vulnerable states

- i. The Commonwealth Secretariat should deepen its work with regional bodies, such as CARICOM and the Pacific Islands Forum, to ensure the WTO Work Programme on SVEs under discussion is made more effective and action-oriented. This could include a review of duty free, quota free market access for SVEs, inclusive of non-primary goods (e.g. services or other components in a supply chain), with proposals for reform and better utilisation by exporters in eligible countries.
- ii. Commonwealth member countries should adopt and implement the proposed *Blue Charter*, which will apply the 16 principles of the *Commonwealth Charter* to ocean governance, and help SVEs member to unlock sustainably the value of ocean resources such as fisheries and aquaculture. The Commonwealth should continue to champion issues relating to the blue economy and climate change in global fora.
- iii. The Commonwealth Secretariat should scale-up its valuable and ground-breaking work on trade-related issues and challenges for Commonwealth developing countries' graduating from LDC status. The Secretariat should deepen its engagement with international organisations such as the UN, the World Bank and the Enhanced Integrated Framework (EIF) for LDCs to ensure that there is focused and sustained support related to trade and investment for sustainable and inclusive economic development to Commonwealth developing countries graduating from LDC status, and that programming instruments such as the World Bank's Country Assistance Strategies and the EIF's Diagnostic Trade Integrations Studies take proper account of graduation from LDC status.

5. Strengthening partnerships: government, business, diaspora, and civil society

- i. Commonwealth developed country members should define and publish concrete commitments to

increase their Aid-for-Trade (Aft) programmes and funding for developing countries and LDCs over the period to 2030, in line with their commitments under SDG 8.

- ii. Supported by the Commonwealth Secretariat and its convening power, Commonwealth developed and developing member should establish a new dialogue and co-operation on improving effectiveness of Aft in the Commonwealth. This can be achieved by sharing good practice and scaling-up successful, impactful programmes across the developing regions of the Commonwealth. The focus of this dialogue and co-operation should be around the priority topics in a new Commonwealth work-programme on *Trade and Investment for Inclusive Development*, such as reducing trade costs and WTO TFA implementation, expanding services trade, boosting investment and trade finance, and targeted initiatives for young entrepreneurs, women traders and SMEs.
- iii. Commonwealth member states, supported by the Commonwealth Secretariat, should establish a Commonwealth Development & Trade Finance Institutions Sub-Committee under the oversight of the Commonwealth Finance Ministers to increase engagement and collaboration from concessional lenders like the CDC Group, FinDev Canada, IFC, the African Development Bank, and the Asian Development Bank, European Investment Bank the Caribbean Development Bank in Commonwealth SVEs and LDCs to improve their trade related infrastructure and supply-side capacities. This Sub-Committee should look to expand the Commonwealth trade finance facility for small states set up by India, Mauritius, Malta and Sri Lanka after CHOGM 2015, co-ordinate development finance availability for eligible Commonwealth member countries, and consider measures to mitigate impacts on trade of de-risking by financial institutions in SIDS and SVEs.
- iv. Commonwealth members and institutions should continue to support enhanced public sector-private

sector co-operation in the Commonwealth on green growth. This includes adequate financing for the Commonwealth's Climate Action Hub, operationalizing the Commonwealth Green Finance Facility, and encouraging more CWEIC members to join business-to-business platforms that connect green technology providers and users, such as the WIPO GREEN initiative.

- v. The Commonwealth should better recognise the contribution of its diaspora and civil society to trade and investment for inclusive development. The Commonwealth Secretariat and CWEIC should deepen support to existing diaspora initiatives and help scale these up to include more Commonwealth diaspora investors and business people. They should also develop a toolkit and case studies to assist Commonwealth governments in better understanding and harnessing the potential of Commonwealth diaspora and civil society to spur trade and investment for inclusive development across member countries.



Worker in factory, India. Photo: Ray Witlin / World Bank CC BY-NC-ND 2.0.

1 Introduction to the Inquiry

1.1 ABOUT

This Inquiry into the potential of the Commonwealth – its member states, business groups and civil society organisations, as well as its own Commonwealth institutions – to help developing countries use trade and investment to reduce poverty and accelerate economic growth was jointly organised by the APPG-TOP and the ODI. We sought to gather evidence from a wide range of stakeholders and provide recommendations for consideration by Commonwealth leaders ahead of CHOGM in London in April 2018 and beyond.

The Inquiry was launched in September 2017 and was led by a Committee of eminent persons and experts, invited by the Co-Chairs of the APPG-TOP, who were representative of the diversity within the Commonwealth. The Inquiry Committee members were:

- Lord Jeremy Purvis of Tweed (Co-Chair)
- Hon. Okechukwu Enelamah, Minister for Trade, Industry and Investment, Government of Nigeria (Co-Chair)
- Mr Chi Atanga, Entrepreneur and CEO, Walls of Benin U.K
- Ms Catherine Clark, Head, International Relations, Prudential plc
- Ms Patricia Francis, former Executive Director, WTO-UNCTAD International Trade Centre
- Ms Trudi Hartzenberg, Executive Director, Trade Law Centre, Southern Africa (tralac)
- Ms Lisa McAuley, former CEO, Export Council of Australia, and Executive Director, Global Trade Professionals Alliance
- Mr Steven Pope, Vice President, DHL Express Europe plc
- Mr Phil Rourke, Executive Director, Centre for Trade Policy & Law, Carleton University, Ottawa
- Mr Harsha Vardhana Singh, Former Executive Director, Brookings India and former Deputy Director General, WTO

- Ms Angela Strachan, Independent Consultant, Business Environment Reform, Trade Facilitation and Investment Climate
- Dr Dirk Willem te Velde, Head, International Economic Development, ODI

Biographies for each of the Inquiry Committee members can be found on the APPG-TOP [website](#).

1.2 BACKGROUND TO THE INQUIRY

The CTMM held in London in March 2017, offered the APPG-TOP and ODI the opportunity to begin a wide-reaching policy discussion through the launch of a booklet on *10 Commonwealth policy priorities for trade and development*¹ and the convening of a Wilton Park conference on *Creating a consensus-based Commonwealth vision for trade negotiation, facilitation and finance*. The *10 Commonwealth Policy Priorities for Trade and Development* booklet was produced to stimulate debate and ensure Commonwealth trade ministers kept a focus on trade and investment policies and programmes that would enhance development outcomes. The 10 recommendations were as follows:

1. Reduce trade costs by implementing the WTO TFA
2. Ensure that the benefits of tariff preferences are maximised for developing countries
3. Increase connectivity to better facilitate trade
4. Expand trade finance for small and medium sized enterprises
5. Expand women's participation in trade
6. Develop skills for trade
7. Promote green growth through trade
8. More and better-targeted aid for trade
9. Establish a Commonwealth-wide trademark system
10. Improve trade governance

1 in 5 Commonwealth citizens – roughly double the world average – live on less than \$2 per day.

The Commonwealth Factsheet

- The Commonwealth has 53 member states, with Gambia re-joining in February 2018 after its departure 5 years ago.
- The Commonwealth spans the globe and includes both advanced economies and developing countries. It encompasses Africa (19 countries), Asia (7), the Caribbean and Americas (13), Europe (3), and the Pacific (11).
- The Commonwealth makes up roughly 30% of the world's population, with a total population size of 2.4 billion people.
- 60% of the Commonwealth population are aged 29 or under. 1/3 of people around the world aged between 15 and 29 live in Commonwealth countries: about 640 million out of 1.8 billion.
- 31 of 53 commonwealth member states are developing countries, of which 14 are LDCs.
- 1 in 5 Commonwealth citizens – roughly double the world average – live on less than \$2 a day.
- The combined gross domestic product of Commonwealth countries is estimated at US\$10.4 trillion in 2017. With an annual GDP growth in excess of 4 per cent, GDP is predicted to reach US\$13 trillion in 2020.
- Commonwealth members' combined exports of goods and services account for roughly 15% of the world's total exports.
- Intra-Commonwealth trade in goods was estimated at \$525 billion in 2015. The growth of intra-Commonwealth trade is set to continue with the value of trade in goods forecast to surpass \$1 trillion by 2020.

1.3 KEY QUESTIONS AND OBJECTIVES FOR THE INQUIRY

The Inquiry sought to answer one overarching question: can the Commonwealth help developing countries trade out of poverty? As such, the objectives of the Inquiry were as follows:

1. Build on the momentum and discussions generated from recent activities and events, including the launch of *10 Commonwealth policy priorities for trade and development* and the CTMM in London in March 2017.
2. Gather evidence and opinions through consultations and engagement with interested stakeholders from government, business and civil society across the Commonwealth and with key Commonwealth institutions as well as international organisations and development partners.
3. Produce a report based on the findings of the Inquiry, to be presented initially to Commonwealth Trade Ministers in the margins of the WTO 11th Ministerial Conference (MC11) in Buenos Aires in December 2017 and launched formally ahead of the CHOGM 2018 summit in London in April 2018. The Inquiry Report will include concrete recommendations detailing how Commonwealth institutions, member governments and business/civil society organisations can drive the trade and development agenda forward over the medium term.

In order to meet the Inquiry's objectives, the Inquiry sought to address a number of key questions:

- What challenges do developing countries (particularly least developed countries and small vulnerable island states) in the Commonwealth face in terms of harnessing trade and investment as tools to meet their development objectives? Please provide examples (personal experience and/or research findings)?

What opportunities can be identified within the Commonwealth to foster faster, more transformative economic growth, employment and poverty reduction for developing countries through expanding trade and investment?

- What opportunities can be identified within the Commonwealth to foster faster, more transformative economic growth, employment and poverty reduction for developing countries through expanding trade and investment?
- What programmes and initiatives do Commonwealth institutions and member states currently offer to promote trade and investment for sustainable development? How are these regarded and is there scope to scale-up and achieve more impact? Is the Commonwealth reaching its full potential for co-operation in this area?
- How can trade and development policies and programmes be best designed to maximise the shared gains from trade and investment and reduce poverty in the Commonwealth? Are there examples of best-practice trade and development policies/initiatives that have either been or could be deployed in developing countries within the Commonwealth?
- What is the Commonwealth best-placed to do to promote prosperity amongst its developing country members compared to other development partners such as the World Bank or United Nations (UN) agencies? What should the priorities be for a new work programme for the Commonwealth on trade and development over the next 20-years?

1.4 THE INQUIRY PROCESS

The Inquiry process included a series of consultative hearings, gathering evidence from key stakeholders from Commonwealth member states, including policymakers, business representatives and civil society leaders, as well as from key organisations such as the Commonwealth Secretariat; the CWEIC and its corporate members and partners; the Commonwealth Foundation; the Royal Commonwealth Society; and ODI's sister organisations across the Commonwealth.

1.4.1 Literature review and background papers

At the start of the Inquiry, a literature review was undertaken and two background papers were produced for the Inquiry Committee members by ODI and the APPG-TOP Secretariat:

- Trade and Development in the Commonwealth* focusing on existing trade and development initiatives within the Commonwealth from publicly available documents and the academic literature.
- Trade and Investment Trends in the Commonwealth* focusing on intra-Commonwealth trade and investment and trade in services, as well as trade between Commonwealth LDCs and developed countries.

Both background papers can be accessed online via the APPG-TOP [website](#).

1.4.2 Call for written evidence

The Inquiry published a call for written evidence in October 2017 via the APPG-TOP website and social media, with evidence being received right up until the end of January 2018. Over 50 written submissions were received and the full list of those who submitted evidence can be found in Annex 2. The evidence submissions can also be accessed online through the APPG-TOP website.

1.4.3 Hearings and evidence sessions

A full-day of hearings was held in the House of Lords of the UK Parliament on 16th November 2017. The Inquiry Committee heard evidence from a number of trade and investment experts, including the Chairman of CWEIC (Lord Jonathan Marland), the Deputy Secretary General for Political Affairs of the Commonwealth (Dr Josephine Ojiambo²), as well as senior representatives from UNCTAD, ITC, the Global Alliance for Trade Facilitation, the Pacific Islands Forum, and ICTSD. A full list of those persons and organisations that presented oral evidence at the Inquiry hearings can be found in Annex 2.

Ad-hoc evidence gathering sessions were also held with the Secretary General of the Commonwealth, the Rt Hon Baroness Patricia Scotland, and the Secretary General of the CPA, Mr Akbar Khan. On the 17th October 2017, Inquiry Committee members participated in a roundtable discussion in London organised in collaboration with CWEIC.

1.4.4 11th WTO Ministerial, Buenos Aires, December 2017

Several of the Inquiry Committee members, including both co-chairs, travelled to the World Trade

Organisation's 11th Ministerial Conference in Buenos Aires in mid December 2017 to hold consultations with Commonwealth Trade Ministers and brief them on the emerging findings and conclusions of the Inquiry. In addition, Lord Purvis and a number of the Inquiry Committee members participated in sessions of the ICTSD's Trade and Development Symposium, held alongside MC11 in Buenos Aires. In Buenos Aires, Inquiry Committee members discussed the work of the Inquiry with a number of Commonwealth Trade Ministers, senior officials and leaders of international organisations (see Annex 2 for more information).



2 The case for a new Commonwealth trade for development agenda

When the Commonwealth comes together, it is incredible to witness what we can achieve in terms of collegiate dialogue and co-operation in creating greater prosperity for all of our citizens.

– Rt Hon. Baroness Patricia Scotland,
Commonwealth Secretary General, June 2017

Despite the *Commonwealth Charter's* strong commitment to supporting sustainable economic development, shared prosperity remains a major challenge. 14 of the Commonwealth's members are among the UN's LDCs and the incidence of extreme poverty is most widespread in Commonwealth countries in Africa and South Asia. Nearly 1 in 5 people – some 444 million women, men and children – in the Commonwealth live below the international poverty line of \$1.9 per day.³ This is almost twice the global average according to the UN,⁴ thus people in the Commonwealth are on average twice as likely to live in extreme poverty than is the case for people around the world as a whole.

As Commonwealth leaders gather for the London CHOGM in mid April 2018, we believe that these persistently high levels of extreme poverty call for a much greater emphasis on promoting sustainable economic development within the work of the Commonwealth over the coming years. Based on the evidence and perspectives we have heard during this Inquiry, there is a very strong case for a focus on values-led trade and investment for development to be at the heart of this work, delivering more inclusive growth and jobs, and sharing the Commonwealth's future prosperity more equitably.

We see the case for a new Commonwealth agenda on *Trade and Investment for Inclusive Development* resting on four key arguments, each of which we discuss in detail in the rest of Part 2:

- i. The Commonwealth's untapped trade potential for all its members, and the booming markets of its fast-

growing large developing economies like India, Nigeria, Pakistan and Bangladesh.

- ii. The power of trade and investment for promoting sustainable economic development and lifting millions of Commonwealth citizens out of poverty.
- iii. The Commonwealth's solid existing platform for working on *Trade and Investment for Inclusive Development*, which provides a strong foundation for our proposed agenda.
- iv. The Commonwealth's intrinsic strengths and assets, which enable it to shape more efficient and equitable trading arrangements for its members.

Of course, we recognise that it is also desirable for more developed Commonwealth countries, such as the UK, Canada, New Zealand and Australia, to seek to expand trade and investment opportunities with one another. Indeed, in the five priority areas for future action we set out in Part 3, there will be much of interest to both developed and developing Commonwealth member countries – such as streamlining trade and investment facilitation and implementing the WTO TFA, for example. However, we believe that taking account of the principles agreed in the Commonwealth Charter and the UN SDGs, as well as the high levels of poverty that remain in the Commonwealth, the emphasis for the Commonwealth's future work in the area of economic co-operation should be on trade and investment for development.

2.1 UNTAPPED TRADE POTENTIAL, FAST GROWING DEVELOPING ECONOMIES

According to the latest available *Commonwealth Trade Review* produced by the Commonwealth Secretariat, intra-Commonwealth trade in goods in 2015 was estimated at \$525 billion. This represents average growth of almost 10% each year since 1995. Notably, it is the Commonwealth's developing country members, particularly in Asia and to a lesser extent Africa, who have been major beneficiaries of this expansion.



CHOGM 2011 Commonwealth Leaders Photo: Commonwealth Secretariat. CC BY-NC-ND 2.0

Between 2000 and 2014, developing country members' intra-Commonwealth exports more than trebled from just over \$100 billion to \$332 billion, resulting in their relative share of these intra-Commonwealth exports as a proportion of their global exports rising from 67% to 74%.

The growth of intra-Commonwealth trade has been broad-based; 47 of the 53 Commonwealth members have grown their intra-Commonwealth goods exports by over 5% per year since 2000. Considering both exports and imports, members showing rapidly expanding intra-Commonwealth trade include developing countries and LDCs like Bangladesh, Cameroon, Ghana, India, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Papua New Guinea, Rwanda, Sierra Leone, Solomon Islands, Uganda, Tanzania, Vanuatu and Zambia.

Yet, whilst trade between Commonwealth member countries is already substantial and benefits from a "Commonwealth advantage effect", according to a recent report by the Commonwealth Secretariat,⁵ there is substantial untapped potential for increased trade between Commonwealth members. This is estimated to be in the order of an additional \$156 billion.⁶

A significant proportion of this potential is a result of under-trading between Asian members and between African members. At the same time, there is also considerable untapped potential for trade expansion from Commonwealth African, Asian, Caribbean and Pacific developing countries with developed countries in the Commonwealth like the UK, Canada and Australia. For example, the Commonwealth Secretariat estimated that Africa's exports to the UK have the potential to increase by \$12 billion.

While the untapped trade potential analysis shows trade opportunities currently not being utilised, another avenue through which trade can expand is via improved future economic prospects in the Commonwealth. Buoyant economic growth has been widespread in many Commonwealth developing countries over the past two decades or so. In 2015, the Commonwealth

Secretariat estimated that the combined GDP of the Commonwealth, measured in constant 2010 dollars, will double over the next 15 years to reach about \$20 trillion in 2030. It is clear the largest expansion is anticipated in South Asia, driven primarily by India, which is set to be the largest Commonwealth economy by 2020. By 2030, India's economy will be valued at \$6.6 trillion. South Asia less India will have about \$1 trillion market, rising from less than \$400 billion in 2013. The seven largest Commonwealth developing countries (India, Nigeria, South Africa, Malaysia, Singapore, Pakistan and Bangladesh) will see their combined GDP rise from less than \$4 trillion in 2013 to more than \$10 trillion, which will be just above 50% of Commonwealth GDP in 2030.

Given the growth in economic activities, the trade volume of Commonwealth countries will also expand significantly. If the relative significance of intra-Commonwealth trade is maintained at its current level, under a "business as usual scenario", trade in goods between Commonwealth members could rise from \$525 billion in 2015 to \$2.75 trillion by 2030 and potentially to \$3.86 trillion in a more optimistic scenario – a scenario where Commonwealth members enhance their economic co-operation to further lower barriers to trade and investment as we advocate in Part 3 of this report.

2.2 TRADE AND INVESTMENT PROMOTE ECONOMIC DEVELOPMENT

Increased economic growth is a necessary, but not sufficient condition, to reduce poverty and achieve the UN SDGs by 2030. Inclusive trade and international investment are crucial for transformative economic development and help developing countries reap the benefits of specialisation. No country has transformed or reduced poverty in a sustained way without engaging in trade and investment.

The ability to export helps developing countries to produce beyond the limits of their own markets. Contact with overseas buyers and global value chains promotes the development of efficient production capabilities as



Internet cafe in Kampala, Uganda. Photo: Arne Hoel / World Bank. CC BY-NC-ND 2.0.

well as improvements in standardisation and product quality. Imports, on the other hand, help developing countries to access technology, import a greater variety of products and raise competition, which can promote further upgrading of firm-level capabilities and choice for consumers.

Whilst trade and investment raise global and national incomes, the effects on individual countries and groups within them are not automatic or homogenous. Complementary policies and institutions (e.g. skills and technology to build capabilities of the most vulnerable groups) are required to address potential adverse effects from trade and investment and maximise the benefits. A range of recent reports by the WTO, G20, and World Bank have discussed the issues in detail, but insufficient progress has been made in practice in terms of making the benefits of trade inclusive. In addition, greater exposure to trade and investment makes countries, particularly small states, more vulnerable to external shocks unless their economies have developed adequate resilience. Thus, the challenges of globalisation multiply with the potential benefits and this requires more emphasis on global economic governance.

The belief that globalisation, including through expanding trade and investment, is a tool for development has suffered damage recently. This needs to be tackled head on and the Commonwealth is well placed to do this, with its large, diverse membership and strong commitment to an effective and equitable rules-based multilateral trading system enshrined within the *Commonwealth Charter*. Whilst many argue that globalisation has lifted millions out of poverty worldwide with the rate of extreme poverty more than halving between 1990 and 2015, several groups in developed countries (e.g. the UK or the US) blame globalisation for job losses, especially in the manufacturing sector, and advocate a return to economic protectionism. In these countries, globalisation has often coincided with greater benefits for some groups than others.

There are now genuine fears that other countries may continue to slide into a protectionist stance, which would harm the prospects for prosperity and economic development in the many small states and emerging markets of the Commonwealth in particular. Support for the multilateral trading system is essential, but it also needs to be made fairer and more inclusive. This is a cause that the Commonwealth has embraced.

In recent years, the world's trade growth has already slowed and the poorest countries share is also in decline. Growth in world trade (measured by exports of goods and services in 2010 constant US\$) has more than halved from 6.4% annually over the period 2000-2008 to 3.1% in the period 2011-2016. Moreover, the share of global trade in the poorest and most vulnerable countries (LDCs, Sub-Saharan Africa (SSA), and small states) has declined markedly over the last few years.

With the exception of some Asian countries, Commonwealth developing countries' exports are still highly concentrated in commodities. In 2013, primary commodities and natural resource-based products accounted for 94% of total exports from the Pacific, 83% from Africa, and 69% from the Caribbean.⁷ In East Africa, this issue is particularly pronounced. For example, in Kenya, tea accounts for 22% of exports and cut flowers for 12%. In Tanzania, gold accounts for 35% followed by tobacco (7.6%). In Rwanda, oil accounts 17% followed by gold (13%), tea (12%) and coffee (9.6%), and in Uganda, coffee accounts for 19% followed by tobacco (5.1%).⁸ Export concentration amongst Commonwealth developing countries has increased over time driven by the commodity price boom and FDI inflows targeting commodity sectors. In Commonwealth African countries between 2000 and 2013 the share of fuel and non-fuel commodities exports rose from 38% to 43% of total exports.

World FDI flows increased in the years leading up to 2007, but have remained at similar levels since (below US\$ 2 trillion). The share of the poorest and most vulnerable regions in world FDI stocks also fell

Figure 1 World trade flows and shares of selected regions

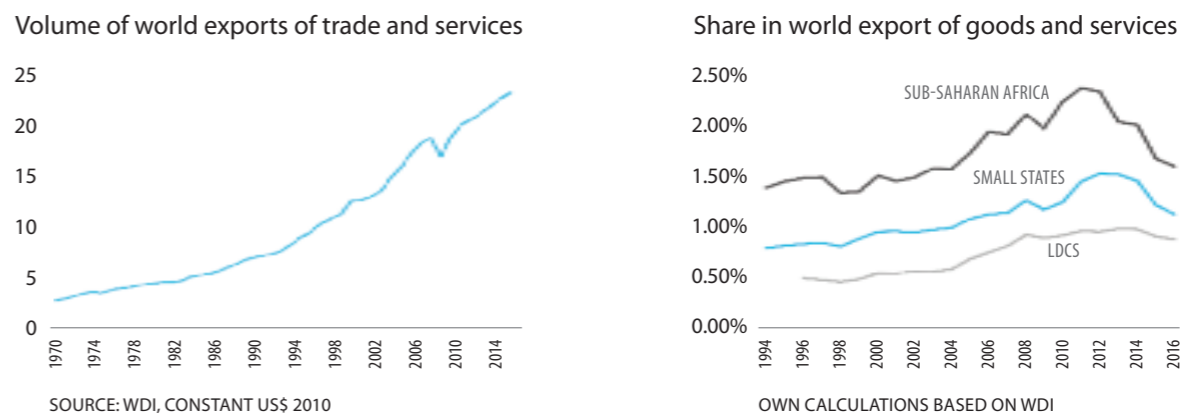
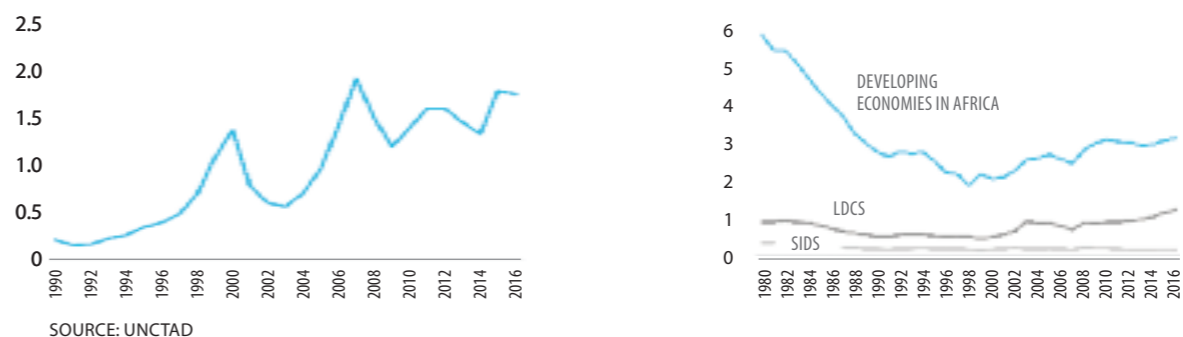


Figure 2 World FDI flows, and share of selected regions in world FDI stocks



significantly over 1980-2000 and has increased only marginally since 2000. The share of total world FDI is only 0.17% for small island developing states (SIDS) and 1.2% for LDCs. Inward FDI provides more capital and employment but is also a source of technology and ideas. The Commonwealth is striving for a greater share of global trade and FDI flows by encouraging intra-Commonwealth trade and investment.

2.3 THE COMMONWEALTH'S SOLID EXISTING PLATFORM

It is difficult to imagine a Commonwealth without an agenda on economic development, trade and investment.⁹ Sustainable economic development is

indeed at the forefront of the *Commonwealth Charter* adopted in 2012. Chapter 9 of the Charter specifically refers to the role of trade in promoting sustainable development and includes a commitment to an effective, equitable, rules-based multilateral trading system, the freest possible flow of multilateral trade on terms fair and equitable to all, while taking into account the special requirements of small states and developing countries. An important dimension is around the social context where the Charter also argues for removing wide disparities and unequal living standards, for building economic resilience and promoting social equity. Indeed, following the 2011 Eminent Persons' Group report on the future of the Commonwealth,

Box 1 Charter of the Commonwealth – Sustainable Development (Chapter 9)

“We recognise that sustainable development can help to eradicate poverty by pursuing inclusive growth whilst preserving and conserving natural ecosystems and promoting social equity.

We stress the importance of sustainable economic and social transformation to eliminate poverty and meet the basic needs of the vast majority of the people of the world and reiterate that economic and social progress enhances the sustainability of democracy.

We are committed to removing wide disparities and unequal living standards as guided by internationally agreed development goals. We are also committed to building economic resilience and promoting social equity, and we reiterate the value in technical assistance, capacity building and practical cooperation in promoting development.

We are committed to an effective, equitable, rules-based multilateral trading system, the freest possible flow of multilateral trade on terms fair and equitable to all, while taking into account the special requirements of small states and developing countries.

We also recognise the importance of information and communication technologies as powerful instruments of development; delivering savings, efficiencies and growth in our economies, as well as promoting education, learning and the sharing of culture. We are committed to strengthening its use while enhancing its security, for the purpose of advancing our societies.”

SOURCE: *The Commonwealth*, 2012

leaders restated the importance they attach to promoting development through trade in the *Kotte Statement on International Trade and Investment* at the 2013 CHOGM in Sri Lanka.¹⁰

We believe that the Commonwealth as a whole, including the member countries, the Secretariat, the CWEIC, and the extended family of accredited organisations; all have important stakes in the organisation's work on economic development, and trade and investment more specifically. The Commonwealth Secretariat plays a lead role within this, but of course works with others (organisations inside and beyond the Commonwealth family) to achieve its objectives. The work of the Secretariat is complemented by that of the CWEIC, a much smaller organisation in comparison, which convenes the bi-annual Commonwealth Business Forum, regular investor roundtables and dialogues, and manages specific programmes on green

finance, women in business, investment promotion and the *CommonwealthFirst* initiative.

The *Commonwealth Strategic Plan* (June 2017), which is aligned with the UN SDGs and the Paris Climate agreement and follows mandates from previous CHOGMs, includes work on democracy, public institutions, youth, and social and economic development as well as small and vulnerable states. The economic development dimension prioritises trade, development financing, debt, oceans as well as the blue economy, and the linkages to gender equality and the economic empowerment of women (which are also principles enshrined in the Commonwealth's Charter). The Commonwealth Secretariat has developed different programmes on gender, trade and economic empowerment, aimed at designing evidence-based policies at national level.

We believe that the Commonwealth as a whole, including the member countries, the Secretariat, the CWEIC, and the extended family of accredited organisations; all have important stakes in the organisation's work on economic development, and trade and investment.

2.3.1 Trade

The Commonwealth Secretariat responds to specific requests from its member states for policy and analytical support, capacity building, and technical and legal assistance to develop trade policies and export strategies, negotiate and implement bilateral and regional trade agreements, and improve productive and supply-side capabilities. This work falls under its 'Prosperity' pillar and includes projects and initiatives such as:

- Hub and Spokes Programme
- Trade competitiveness
- Small States Trade Finance Facility
- Trade Adviser, Geneva Small States Office
- International trade policy

The Commonwealth Secretariat supports members by strengthening their trade policymaking capabilities. The Hubs and Spokes Programme (funded jointly with the EU) aims to train national policymakers in trade policy issues, negotiating and implementing trade agreements; and enhance national and regional trade networks.

The Secretariat also undertakes global advocacy on critical trade and development issues on behalf of its smallest and poorest members countries. Approximately one quarter of Commonwealth members are LDCs. As such, the Secretariat is a partner of the "LDC IV Monitor". This group comprises eight academic institutions and think-tanks. It monitors the progress of the LDCs against the commitments made by the international community, as well as by LDCs themselves, under the Istanbul Programme of Action. In addition, the Commonwealth Secretariat is advocating for more extensive trade preference schemes for developing countries - the Commonwealth has argued for some time that WTO rules on trade preference schemes should recognise not only the criteria of GDP per capita but also the level of vulnerability. The Commonwealth Secretariat is also supporting regional trade negotiations including Economic Partnership Agreements (EPAs) between the African Caribbean and Pacific countries and the EU and supported the Pacific

Island Countries in the PACER-Plus negotiations with Australia and New Zealand.

The work of the Secretariat increasingly reflects the importance of trade in services, including temporary movement of workers and business people. The Commonwealth has long emphasised the importance of services especially in small states in the Caribbean and the Pacific where services are responsible often for three quarters of GDP and trade. Trade in services is part of the Secretariat's analytical work¹¹ and its technical assistance (e.g. wide ranging support on trade in services with Mauritius and the coalition of service associations in Barbados). It has also recently worked on mutual recognition agreements and services liberalisation in a regional context. We discuss the Commonwealth's work on services further in Part 3.

2.3.2 Small states and vulnerable economies

Whilst there is no single definition of small vulnerable economies (SVEs), generally speaking, they share a number of characteristics such as small population sizes, low levels of GDP (small domestic markets), and face economic and environmental vulnerability. Small states have difficulty being competitive in international markets, reaching economies of scale, and diversifying their exports. The Commonwealth defines small states as those with a population of 1.5 million or fewer. In total, 31 out of the Commonwealth's 53 member countries are small states (representing two-thirds of the total of small states globally). Most of these are the Commonwealth's Caribbean and Pacific island members, but the list includes Botswana, Lesotho, Namibia and Swaziland in Africa.

The Commonwealth is a voice for its SVEs, which has helped it to develop partnerships and alliances with key international institutions and networks such as the World Bank, WTO, the OECD, UNCTAD and the G20. The Commonwealth is by and large the only organisation that has consistently provided advocacy for small states and in particular SIDS.



During our Inquiry, we heard how this is appreciated by SIDS. For example, in the context of international climate or trade negotiations, representatives from SIDS told us that the Commonwealth provides a voice of conscience in climate negotiations by standing up for small states that suffer the brunt of the damage from climate change. The Commonwealth Secretariat's trade analysis has identified how value chains and the fragmentation of the production processes operate in many of its smallest and most vulnerable members. Another example is the Commonwealth Small States Office in Geneva, which assists members with monitoring and interpreting multilateral trade rules as well as supporting their participation in on-going negotiations.

The Commonwealth Secretariat has carried out significant work on vulnerability and resilience profiling over the past 20 years, with a particular focus on small states. This pioneering work is remarkable as most other development agencies began to take resilience seriously only after the global financial crisis in 2008. The Commonwealth Secretariat profile of vulnerability and resilience aims to (i) identify the manifestations and sources of structural economic vulnerability in a specific country; (ii) identify the sources of policy-induced economic resilience, and (iii) propose policy responses to promote resilience-building.¹² The Commonwealth has piloted country-specific profiles of economic vulnerability and economic resilience,¹³ and developed a Commonwealth Vulnerability Index (CVI) for developing countries.¹⁴

2.3.3 Oceans and blue economy

The Commonwealth Secretariat assists its member countries to sustainably manage their natural resources, in the ocean and on land, for the benefit of present and future generations. In particular, the Commonwealth advocates for a *Blue Charter* that aims to support member countries develop an integrated approach to a blue economy. It considers the value of a range of sectors (such as artisanal fishing), and actors including women and young people, pushing for the adoption of a more sustainable model of development and

proposing solutions to challenges including marine pollution, illegal unregulated and unreported fishing, and harmful trade subsidies.

The Blue Charter will support Commonwealth countries to deliver SDG 14, to conserve and sustainably use the seas. It will involve the creation of a knowledge and innovation hub and a series of best practice toolkits, complementing the existing support provided by the Commonwealth Secretariat to its 45 coastal member countries.

2.3.4 Development and trade finance

The Commonwealth's work on development finance aims to help developing member countries overcome their various financing and development challenges by ensuring their effective representation, voice, recognition and participation in existing international platforms, including international fora such as the Commonwealth Finance Ministers Meetings (CFMM), Commonwealth Central Bank Governors (CCBG), Annual Commonwealth and Francophonie Dialogue with the G20 and the bi-annual Commonwealth Heads of Government Meeting (CHOGM). Topics include: (i) debt and international financial institutions policy; (ii) development finance; (iii) international regulation; and (iv) international taxation.

In the last two years, the Commonwealth has established a new *Commonwealth Small States Trade Finance Facility*. The initiative is the result of a mandate issued at the 2013 CHOGM to help small and developing Commonwealth countries increase their trade capacity. A working group carried out a scoping exercise, which took into account existing trade financing agencies and other sources of trade finance, including those offered by multilateral and regional programmes. The facility is aimed at mitigating some of the reasons why small states face particular problems when trying to break into international markets, such as the absence of domestic export credit agencies, reluctance of financial institutions to lend money to SMEs, and volatile global economic conditions.

Commonwealth member countries share a remarkable heritage in terms of a common language and through their institutional and legal heritage via the Common Law system.

There have been some other noteworthy recent initiatives by Commonwealth member countries related to development and trade finance, and we believe that this is an area that should now have a special focus for co-operation between Commonwealth member countries as part of the wider Commonwealth *Trade and Investment for Inclusive Development Agenda*. In 2017, the UK government decided to invest significant fresh capital into its Development Finance Institution (DFI), the Commonwealth Development Corporation (CDC Group). The Department for International Development (DFID) announced it will invest £703 million of new capital into CDC each year over the next five years, as part of its plan to boost economic development and job creation in poor countries in Africa and South Asia.

In 2017, Canada established its own DFI (*FinDev Canada*), housed within the Export Development Canada agency and capitalized with \$300 million from the federal budget. FinDev Canada will be part of Canada's international development assistance toolkit, able to support private sector initiatives in places where financial services to businesses are not readily available, and thus benefit poor people in those countries through job creation. Other Commonwealth countries like South Africa and Malaysia have established DFIs, and we understand that early discussions about establishing a new DFI have also taken place in Australia, as part of a wider review of the country's foreign policy.

2.4 THE COMMONWEALTH'S INTRINSIC STRENGTHS AND ASSETS

During our Inquiry, we heard a considerable amount of evidence and discussion about the Commonwealth's strengths and assets in relation to working on international trade and investment for development. Often this discussion was expressed in terms of the Commonwealth's "added-value" (or otherwise) in this area, compared to other international institutions such as the WTO or UNCTAD.

We have considered carefully the evidence from this aspect of the Inquiry, and in the sections below we set out our conclusions about the five main strengths and assets of the Commonwealth related to values-led trade and investment for development. In Part 3, the five priority areas for action and accompanying recommendations we set out are derived in large part from a careful recognition and appreciation of these strengths and assets.

2.4.1 Common language, institutional and legal heritage

Commonwealth member countries share a remarkable heritage in terms of a common language and through their institutional and legal heritage via the Common Law system. This, together with the shared values expressed in the Commonwealth Charter, are the cornerstones of the Commonwealth's intrinsic strength. As indicated in Section 2.1, this shared heritage translates into a real advantage and value-added for business trading and investing between Commonwealth countries, resulting in, for example, trading costs across borders which on average are 19% lower than between non-Commonwealth countries, and large, dynamic Commonwealth diaspora, often highly active in international commerce.

For an organisation of 53 member countries embarking on plans for enhancing economic co-operation, it is a major advantage and head-start to have such commonalities and established commercial partnerships in the institutional and regulatory frameworks across the Commonwealth, in areas such as customs, banking and insurance, transport, standards, intellectual property protection, competition policy and professional business services.

2.4.2 Convening power

Whilst the Commonwealth may not have the rule-making power of the WTO, or the balance sheet of the World Bank and IMF, its convening power far outstrips many other international institutions. Under the auspices of the Secretary General, the Commonwealth

Such diversity facilitates the sharing of knowledge and best-practices around development models, policy and regulatory frameworks, and increases the potential win-wins for business.

regularly convenes ministers and senior officials in areas like foreign affairs, finance, law, education, youth and health. In March 2017, the Commonwealth Secretariat and CWEIC co-convened the CTMM, where over 35 ministers attended and 45 countries were represented, as well as dozens of business leaders from the private sector across the Commonwealth.

The most prominent of these meetings however, is the bi-annual gathering of Heads of State through the CHOGM process, which is now accompanied by large-scale forums on business, youth, women and civil society. CHOGMs have a special value, and a key role to play in the Commonwealth, setting political direction and providing mandates for the organisation's work programme. It is for this reason that we believe that the London CHOGM in mid-April 2018 provides a unique opportunity for Commonwealth leaders to endorse a new agenda on trade and investment for development; a point which we return to in Part 4.

2.4.3 Sharing of knowledge and best-practices

Although its members share a common language and institutional/legal heritage, the Commonwealth is a diverse organisation. It includes developed countries (two of its members are in the G7), large economies (five of its members are in the G20), small states in Africa, the Caribbean and the Pacific and some of the poorest developing countries in the world (14 of its members are LDCs). Geographically, nearly every continent is represented, with a strong representation in Africa, the Caribbean and the Pacific. Another measure of this diversity is in the perceived ease of doing business, where in the World Bank's flagship index of 190 countries in 2018, Commonwealth countries ranked 1st (New Zealand) but also 177th (Bangladesh).

Such diversity facilitates the sharing of knowledge and best-practices around development models, policy and regulatory frameworks, and increases the potential win-wins for business. Small states can share models on the green economy, debt management, trade in services,

and regional integration. Emerging markets like Singapore, Malaysia and India have gained extensive expertise and experience in investment in productive capacities and policy for manufacturing and IT enabled industries for example. More developed members can also help with the development of standards on data protection, trade and investment model agreements, trade facilitation and financial services regulation including new areas like e-commerce and fintech.

2.4.4 Intra-Commonwealth economic partnerships and co-operation

Clusters of Commonwealth members and organisations often co-operate in building mutually beneficial economic partnerships. Sometimes this takes place in geographical settings such as the African Union, the East African Community (EAC), the Caribbean Community (CARICOM) or PIF, or other settings such as India–Africa relationships, New Zealand–Australia–Pacific co-operation, Canada and the Caribbean, and the UK together with Cyprus and Malta through the EU's EPAs with African, Caribbean and Pacific countries, many of whom are Commonwealth members.

There are a number of other examples of intra-Commonwealth partnerships in economic co-operation, ranging from addressing uncontrolled fishing to development of e-commerce and trade in services. Other areas of cooperation are related to the regulatory coherence facilitated by similar institutions, legal systems and cultural background. Mutual recognition and potential harmonisation of standards and regulatory practices can have large impacts on trade within the Commonwealth. Often, the Commonwealth Secretariat and CWEIC play a role in supporting the development of these partnerships and this highlights the potential for leveraging these clusters as building-blocks for boosting intra-Commonwealth trade and investment.

The March 2017 CTMM saw the establishment of a *Connectivity Agenda*, which focuses on issues of physical, digital, regulatory, business-to-business



Community mobilization to install solar water supply in D.I. Khan, Pakistan
Photo: UNCG Pakistan

and supply-side connectivity. This is all framed by the need for inclusive and sustainable trade to contribute towards the achievement of the SDGs.

2.4.5 Network of networks around global economic governance

The Commonwealth itself can be considered as a network, which has excellent overlapping links with other global economic networks and institutions such as the G7, G20, the UN family, the International Monetary Fund (IMF), the World Bank, and the WTO. 2 Commonwealth members, the UK and Canada, are members of the G7; 49 of the Commonwealth's 53 member countries are WTO members, and 5 of the countries that make up the G20 are Commonwealth members, namely Australia, Canada, India, South Africa and the UK.

The annual meetings between Finance Ministers and G20 members serve the twin benefits of providing the

opportunity for Commonwealth members to argue their case with the G20, and to help the G20 to drive development of new global standards and policies. This heterogeneity of representation is also a major asset, and its diversity makes the Commonwealth a good reflection of many global challenges and interests.

Common cultural, political and institutional features facilitate the dialogue and the cooperation among Commonwealth network members and this in turn can be used to promote better global economic governance. Agreed principles and policies amongst the Commonwealth can and do serve as a reference point for global negotiations or negotiations, rule-making and economic co-operation in other regions. We see that there is potential for the Commonwealth to build consensus in the current work programmes and in the on-going discussions taking place in other fora such as the WTO and World Customs Union.

Box 2 Outcomes of the WTO 11th Ministerial Conference, December 2017

Trade ministers and senior officials from WTO member states convened in Buenos Aires, Argentina for MC11 of which the theme of the conference was *Strengthening the Multilateral Trading System*. MC11 adopted several ministerial decisions and work programmes, including a ministerial decision on Fisheries Subsidies; a Work Programme on Electronic Commerce; Trade-Related Aspects of Intellectual Property Rights (TRIPS) non-violation and situation complaints; a Work Programme on Small Economies; and the creation of the working party on accession for South Sudan.

The ministerial decision on Fisheries Subsidies reflected ministers' commitment to have a deal that improves the reporting of existing fisheries subsidies and delivers on the UN SDG 14.6 (eliminating illegal, unreported and unregulated fisheries subsidies by 2020). In the decision on E-Commerce, ministers agreed to maintain current practice of not imposing duties on electronic

transactions. Notably, nothing was achieved on agriculture, non-agriculture market access, domestic regulation of services, or development.

The Declaration on Women and Trade provides support to enhance the inclusion of women in trade, to remove barriers and foster women's economic empowerment. Ministers adopted the Enabling E-commerce programme – an initiative that aims to bring together governments, businesses and other stakeholders to begin a high-level conversation on e-commerce policies and practices that can benefit small businesses. Joint Statements were also adopted to pursue structured discussions in 2018 (within the WTO) on creating a multilateral investment facilitation framework, and establishing a multilateral working group on SMEs..

3 Five priority areas for future action

The Commonwealth should strengthen its current interventions in the areas of trade capacity development, trade research for policy development, advocacy and rule of law to enhance the business climate

– Written Evidence, African Union Commission

The written and oral evidence gathered during the Inquiry suggests a strong case for the Commonwealth to establish an ambitious, medium term agenda on *Trade and Investment for Inclusive Development* and to scale-up its existing interventions in this area. The Commonwealth's unique position in this respect is based on more than the composition of its membership, shared values and the common features that unite the group. As we argued in Part 2, there are distinct and inherent advantages that justify a sharp focus on trade, investment and development for the Commonwealth as a whole.

It was also made clear to the Inquiry by many stakeholders during our discussions that the Commonwealth should not just conceive of this new agenda as being comprised of its own independent actions. Rather, the Commonwealth should also act as a “voice of good conscience” in the international trading system, advocating for the interests of developing countries and disadvantaged groups to be properly addressed, and support delivery of initiatives that promote these interests - in partnership with key trade agencies like UNCTAD, WTO and ITC, as well as other Commonwealth bodies. The Commonwealth has a duty to avoid any duplication of effort and direct its support first and foremost towards member states lacking capacity to advance their trade potential on their own.¹⁵

The evidence we heard during the Inquiry suggested 5 distinct priority areas for action where the Commonwealth could leverage its key strengths to effectively promote inclusive economic development through a new agenda and work programme on *Trade and Investment for Inclusive Development*:

- i. Reducing the costs and risks of trade and investment
- ii. Boosting services trade through regulatory co-operation
- iii. Making trade more inclusive: women, young people and SMEs
- iv. Addressing the special needs of small and vulnerable states
- v. Strengthening partnerships: Government, Business, Diaspora and Civil Society

We discuss each of the five priority areas in more detail in the following sections and highlight recommendations and proposals where action by the Commonwealth family can help developing countries to trade out of poverty and ensure more equitably shared prosperity for all its members and citizens in the future.

3.1 REDUCING THE COSTS AND RISKS OF TRADE AND INVESTMENT

Improving trade facilitation can be a key contributor to sustainable development and an important conduit for poverty alleviation.¹⁶ The Commonwealth includes a number of landlocked countries and SIDS that face the additional challenge of remoteness and poor transport and communication infrastructure, which inhibits their ability to participate in international trade.¹⁷

3.1.1 Costs and barriers for trade in goods

As noted in Section 2.1, the Commonwealth enjoys a distinct advantage in terms of the ease of trading between member states. The Commonwealth Trade Review (2015) found a strong ‘Commonwealth effect’ in terms of bilateral Commonwealth trade, where in general terms, bilateral trade costs are 19% lower and bilateral trade tends to be 20% higher when both countries are Commonwealth members. However, within this picture, many developing Commonwealth countries still suffer from disproportionately high trade costs as a result of small domestic markets, unfavourable

Table 1 Trading Across Borders Index: Selected Commonwealth countries, 2018

Country	Rank (2018)	Time to export (hours)	Cost to export (USD)	Time To Import (hours)	Cost To Import (USD)
SINGAPORE	42	12	372	36	260
CANADA	46	3	323	3	335
NEW ZEALAND	56	40	404	26	447
SRI LANKA	86	91	424	120	583
JAMAICA	130	105	966	136	996
SOUTH AFRICA	147	168	598	180	870
BANGLADESH	173	247	633	327	1,664
NIGERIA	183	266	1,036	457	1,641

geographical locations, poor trade facilitation and logistics infrastructure.

According to the World Bank's Trading Across Borders Index for 2018 (see Table 1 above), in Bangladesh and Nigeria, the cost of importing a standard shipping container is over \$1,600 – more than six times as much as in Singapore. Clearance times for trade through borders also show huge room for improvement – in Nigeria it takes over 450 hours to clear a standard container compared to 36 hours in Singapore.

Increasing connectivity and reducing processing times at ports and inland borders can help reduce trade costs, and there is a great deal of experience and know-how from Commonwealth countries like Singapore and New Zealand that can be shared through technical co-operation within the Commonwealth. Low and lower middle-income Commonwealth countries have the most benefits to gain from reducing trade costs, but there will also be benefits for exporting business in other Commonwealth countries that are trading partners.¹⁸

The WTO TFA, which entered into force on 22 February 2017, is a landmark agreement that presents an important opportunity to improve and expedite the movement, release and clearance of goods at customs borders. The ensuing efficiency gains will help reduce trade costs, expand trade flows and enhance participation in global

value chains.¹⁹ The 2015 OECD Trade Facilitation Indicators find that implementation of the TFA could reduce trade costs worldwide between 12.5% and 17.5%.²⁰ As at March 2018, 42 of the 49 Commonwealth WTO member states have ratified the TFA, which is over 85% of the Commonwealth membership. Only Cameroon, Solomon Islands, Papa New Guinea, Tanzania, Tonga, Uganda and Vanuatu have yet to ratify the TFA.

Implementation of the TFA will be a major undertaking for most Commonwealth developing countries. By collaborating with regional bodies, the Commonwealth could provide financial and technical support to help its developing member countries implement the TFA and trade facilitation projects.²¹ For example, support could be targeted at helping Commonwealth developing countries with the development, management, operation and oversight of National Committees for Trade Facilitation. Connected to this is the need to address non-tariff measures (NTM)²² which – while serving legitimate policy goals, such as the protection of human health, animal and plant life, and the environment – can make it more difficult for smaller countries and players (e.g. SMEs, small farmers and producers) to compete effectively in international markets.²³ According to the WTO, there has been a phenomenal increase in the number of rules and regulations affecting international trade. Whilst applied

Upgrading ICT infrastructure and improving access are vitally important for Commonwealth developing countries wanting to take advantage of e-commerce opportunities in the global economy.

Box 3 The digital wealth of the Commonwealth

The Commonwealth is home to some of the most digitally advanced nations that also have a high momentum in terms of how quickly their state of digitalisation is changing. This group includes countries such as Singapore, New Zealand and the UK. Moreover, the Commonwealth is also home to countries with high digital momentum such as Malaysia, India, Bangladesh, Kenya, and Cameroon.

Tellingly, some of the digitally advanced nations that reached a level of maturity early are showing signs of slowing down. Canada and Australia fall in this category. The countries with the highest digital momentum demonstrate significant headroom for further digital adoption and growth. These countries' future growth depends critically on their ability to close the gaps in digital infrastructure.

The Commonwealth is well positioned to unlock the symbiotic relationships between the digital "first mover" and the "fast mover" nations and, in the process, open new opportunities for economic growth and commerce. With adequate focus on digitalisation, the Commonwealth has the potential to transform into a powerful network of networked economies. This is particularly significant in a global environment where cross-border flows of digitally transmitted data have grown exponentially,* accounting for more than one-third of the increase in global GDP in 2014, even as the free-flow of goods and services and cross-border capital have ebbed in the aftermath of the 2008 crisis. This era of "digital globalisation" is central to future shared prosperity of Commonwealth nations.

* Manyika et al (2016) "Digital globalization: the new era of global flows" McKinsey

most-favoured nation (MFN) tariffs have declined from an average of above 5% and 6% respectively, to below 3% and 4% respectively between 1995 and 2015, the number of NTMs has risen from over 1,500 measures in mid-2000 to over 2,500 measures in 2015.

Smaller developing countries often lack the financial and technical resources to develop effective policies, regulations and institutions to address NTMs such as technical barriers to trade (TBT) and sanitary and phyto-sanitary (SPS) measures. Without detracting from countries' ability to pursue legitimate public policy objectives, addressing NTMs as the new market access agenda is critical. An UNCTAD study for the Southern African Development Community (SADC) found that harmonizing SPS and TBT measures to international standards and restrictions for regional partners could raise GDP by 1-3% and employment in the range of 2-5% in the member states.²⁴

3.1.2 E-commerce and the digital economy

Upgrading ICT infrastructure and improving digital access are vitally important for Commonwealth developing countries wanting to take advantage of e-commerce opportunities in the global economy. However, barriers in the form of data security laws and data management regulations can hamper the development of the digital economy in LDCs and SVEs.

According to the International Telecommunications Union, 95% of the world's population is covered by a mobile-cellular network, yet the networks only reach 67% of the rural population.²⁵ Despite the rapid dissemination of digital technology globally, 53% of the world's population does not yet use the Internet. In LDCs, only 1 in 7 people are using the internet and the gender gap between male and female users is significant, at 31%. Broadband affordability is a key issue



Internet computer center in Accra, Ghana. Photo: Jonathan Emst / World Bank. CC BY-NC-ND 2.0.

and access to fixed broadband remains particularly low in Africa and across the LDCs, where it stands at less than 1%. Mobile broadband is more affordable and subscriptions have been growing rapidly in developing countries, reaching penetration rates of roughly 40%.²⁶ By building capacity and the right policy frameworks, Commonwealth developing countries have the opportunity to leapfrog older technologies and facilitate the rapid rollout of broadband infrastructure, including closing the gender-gap between male and female users in line with SDG 5.

E-commerce offers small and large entrepreneurs from all corners of the globe the opportunity to enter into international markets that might not otherwise have been accessible. As an important component of modern competitiveness, investment into hard and soft infrastructure that supports e-commerce is necessary to connect and integrate Commonwealth developing countries through value chains (especially for Commonwealth small states). Working in collaboration with other organisations, such as ITC, the Commonwealth can help SMEs – and young entrepreneurs – in developing countries overcome the challenges associated with setting up an online international presence, including accessing e-commerce platforms and payment and delivery services, as well as developing the necessary skills to trade online.²⁷

Ensuring that individuals and businesses across the Commonwealth can access secure online, cross-border transactions is crucial for enabling economic growth through e-commerce. Key to this is the development of necessary legislative frameworks that are sufficiently designed to operate in harmony with relevant legislation in other jurisdictions. Across the Commonwealth, data protection is governed by domestic legislation. To aid with harmonising national legislation, the Commonwealth Secretariat has developed the Commonwealth Model Law on Computer and Computer Related Crime, which contains provisions on data protection, privacy, cyber security and cyber crime. For developing countries with weaker legal

frameworks, governing the exchange of electronic data is significantly harder than those with robust legal frameworks. As a result, the factors that constrict developing country governments in achieving watertight legal mechanisms have a particularly significant impact on trade and development.

A new development in this realm is the WTO's Work Programme on E-commerce and the launch of the *Enabling E-commerce* initiative, announced at MC11. At MC11, ministers agreed to reinvigorate discussions regarding the rules governing electronic trade at the multilateral level and drive public-private dialogue through a joint initiative led by the WTO, World Economic Forum and the Electronic World Trade Platform.²⁸ In addition to actively participating in these multilateral programmes, the Commonwealth can work collectively to ensure tangible improvements to hard and soft e-commerce infrastructure are realised to better facilitate trade.

3.1.3 Facilitating investment in productive capacities

Investment helps create the jobs, goods and services that are necessary for economic transformation. However, significant investment needs exist in Commonwealth developing countries in order to upgrade domestic export industry, such as tuna canning and fish processing facilities in the Pacific islands.²⁹ In the Solomon Islands, for example, without the required investment needed to build trade supporting quality infrastructure, fish and other food product samples need to be sent to New Zealand to be tested in laboratories accredited by partners like the EU. This affects the competitiveness of their exports by substantially adding to their costs. Focusing efforts to develop resilient infrastructure aligns closely with SDG 9.

Attracting investment can be a challenge, particularly for small states, yet it is vital to enable developing countries to diversify their narrow export bases (typically concentrated around commodity exports) and upgrade to processing and manufacturing higher value



Container terminal, Mombasa, Kenya. Photo: TradeMark East Africa

goods. Without investment to upscale domestic industry, countries like the Solomon Islands will struggle to add value to the natural resources at their disposal and leverage the blue economy.³⁰

The Commonwealth receives a substantial portion of global FDI in relation to its share of world GDP. For example, according to UNCTAD, in 2016 the Commonwealth had a 14% share of global GDP, but 28% of world FDI inflows.³¹ In terms of the Commonwealth as a whole, flows to the group rose by 88% – from \$259 billion in 2015 to \$488 billion in 2016. The Commonwealth is also an important source of outward FDI and is home to 11% of the 500 world's largest companies. Outward FDI flows from the group surged by 92% to \$100 billion in 2016, mostly due to a significant rise in FDI flows from Australia. However, according to UNCTAD's *World Investment Report 2017*, FDI flows to developing economies in 2016 declined by 14%, and flows to SIDS declined by 6%.³²

The current leading seven recipients of Intra-Commonwealth greenfield FDI in 2016 were:

- India (17.5%)
- Australia (8.2%)
- UK (4.8%)
- Bangladesh (4.6%)
- Singapore (3.6%)
- Nigeria (2.6%)
- Sri Lanka (1.9%)

The leading sources of intra-Commonwealth greenfield FDI in 2016 were:

- UK (26%)
- India (20%)
- Malaysia (14%)
- Singapore (12%)
- Australia (12%)
- Canada (7%)
- South Africa (5%)³³

We believe that the Commonwealth can and should play a much bigger role in helping its developing

country members and SVEs attract more greenfield FDI by reducing the costs, delays and risks for potential investors. Trade follows investment and the developing countries of the Commonwealth require significant investment to build modern productive capacities for export, create jobs and fuse into regional and global value chains. Done in the right way, expanding FDI and technology transfers can also contribute to greener economic growth in the Commonwealth (see box 4). A particularly valuable potential partner in this area for the Commonwealth would be UNCTAD, which has extensive expertise and knowledge resources on investment facilitation and promotion.

Barriers to investment often stem from restrictions related to opaque, weak or cumbersome regulations on land ownership, tax, government procurement, employment, intellectual property rights or technical barriers.³⁴ Similar to the scope of trade in goods facilitation, Commonwealth members could focus their co-operation efforts for facilitating more FDI transactions on improving the transparency and predictability of investment measures; speeding-up administrative procedures; and enhancing information sharing and exchange of best practices. The more developed Commonwealth countries can also help through initiatives to promote outward-investment that supports sustainable development and economic transformation in developing countries and SVEs, for example through technology upgrading and backward linkages to the domestic economy.³⁵ Assisting developing countries to attract FDI through joint ventures and public-private partnerships could also help boost trade and employment.

3.1.4 Increasing transparency and tackling corruption

No country is untouched by corruption, yet countries badly affected by corruption ultimately struggle to deliver sustainable prosperity and security for their industries and citizens. There is wide consensus on the corrosive impacts of corruption on income equality, human

Box 4 How sustainable trade and investment can support green growth

Climate change is one of the global community's most pressing challenges. Evidence suggests developing countries, particularly SIDS, are disproportionately affected by its impacts. Promoting economic growth that is sustainable and helps address climate challenges rather than exacerbating them is a priority worldwide.

Green growth is a development strategy that involves pursuing economic growth in a sustainable manner, decoupling it from environmental degradation. Aligned with SDGs 8 and 4, green growth can spur innovation and investment in green technologies and promote technology transfer. Green technology can be used to find innovative and sustainable ways to conserve the world's natural resources; create reusable or recyclable products to minimise waste and consumption; and reduce damage to the environment from industrial and infrastructure upgrading in emerging economies.

Trade and investment play a pivotal role in the acceleration of green growth and emissions

reductions through the diffusion of green technologies (including through trade in environmental goods and services) and increased employment in greener sectors. Assisting companies to take advantages of emerging opportunities for trade associated with the protection, promotion and preservation of the environment and sustainable development objectives can also help accelerate green growth.

Trade processes can also be made more environmentally friendly. For example, smart grids or blockchain technology can be utilised to distribute electricity to homes and businesses in a more environmentally friendly manner. Transporting goods across borders can also be done in way that reduces the negative impact on the environment. Tevva Motors, a transport technology firm in the UK, has developed a zero-emission extended range electric truck, which is cheaper to run than conventional diesel-fuelled trucks.

development, and economic growth³⁶ for countries at all stages of development.³⁷ The overwhelming majority of research shows that corruption is detrimental particularly to international trade and business.³⁸ On the other hand, transparency in trade is known to lower costs, alleviate information asymmetries, and improve market confidence and activity.³⁹

Removing monopolies held by customs brokers and making all customs transactions electronic, for example, can enhance competition and transparency, which is vital in combating corruption. In recent years, there has been some particularly important progress in automating customs procedures in African Commonwealth countries, yielding more transparent, faster and cheaper services for traders.

Expanding Commonwealth trade and investment creates new opportunities for member countries to leverage transparency in global markets. Members of the Commonwealth have an opportunity to promote public accountability, transparency, and anti-corruption measures in their home countries as well as in new trade initiatives. Within their own countries, Commonwealth member states, supported by the CPA's training and capacity building programmes, can achieve this by simplifying legislation, improving Parliamentary scrutiny of customs, border and investment agencies, instituting robust appeals mechanisms and digitising process such as customs clearance and tax assessments.

In terms of levelling the playing field between member states, all Commonwealth countries should ensure their

By collaborating with regional bodies, the Commonwealth could provide financial and technical support to help its developing member countries implement the TFA and trade facilitation projects.

trading partners are held to the same international anti-corruption standards. During our Inquiry, we received evidence from Transparency International calling for Commonwealth economies to hold their fellow members to these higher standards by requiring them to ratify international anti-corruption conventions.⁴⁰

3.1.5 Recommendations and proposals for the Commonwealth

- i. Commonwealth member states, working with their external partners, should commit to a comprehensive, long-term trade facilitation action plan, with a portfolio of national and regional actions aimed at achieving a headline target reduction in trading costs for goods across borders in Commonwealth countries of 15% by 2030.
- ii. All 49 Commonwealth member countries in the WTO, who have not done so already, should ratify the WTO Trade Facilitation Agreement (TFA) and submit their Category A, B and C notifications to the WTO by December 2018. Commonwealth member countries in the WTO should agree to conduct regular reporting, knowledge-sharing and expert dialogues on implementation of WTO TFA provisions, particularly Category C provisions notified by developing Commonwealth WTO members.
- iii. Commonwealth members should establish a working group for Commonwealth National Trade Facilitation Committee Chairs to help support each Commonwealth WTO member establish a functioning national level body, as required by the WTO TFA, and facilitate co-operation between them. Representatives from industry, international organisations and the Global Alliance on Trade Facilitation should also be invited to participate in the working group.
- iv. Commonwealth members should establish an e-commerce working group to facilitate deeper co-operation and information sharing. This should

include work stemming from the WTO E-commerce work programme and the Enabling E-commerce initiative. The working group should develop policy responses and programmes to meet information communication technologies (ICT) trade-related needs in collaboration with international agencies such as the WTO, UNCTAD, WCO, the ITC and others. The working group should align itself closely, and work in conjunction with the *Connectivity Agenda* adopted at the March 2017 CTMM.

- v. Commonwealth country members, working with external partners like UNCTAD, should commit to a long-term investment-for-trade action plan, with a portfolio of national and regional actions aimed at increasing responsible private sector investment into productive capacity in export sectors in Commonwealth developing and small and vulnerable economies. The work programme should encompass enhanced co-operation between Commonwealth governments, the Commonwealth Secretariat, the Commonwealth Enterprise and Investment Council (CWEIC), and the private sector, on practical measures for reducing costs, time and risks related to investment, investment promotion and business dialogues, and maximising the contribution of foreign direct investment (FDI) for industrial upgrading, sustainable growth and creating decent work which is inclusive of young people and women, in line with SDG 4.
- vi. Within their own countries, Commonwealth member states should improve governance and transparency of the national regulatory frameworks and institutions for trade and investment. Supported by an expansion of the training and capacity building programmes of the Commonwealth Secretariat and the CPA, Commonwealth members should simplify legislation; improve parliamentary scrutiny of customs, border and investment agencies; institute robust appeals mechanisms for importers and

exporters; and digitise processes such as customs clearance, investment permits, business registration and tax assessments.

3.2 BOOSTING SERVICES TRADE THROUGH REGULATORY CO-OPERATION

3.2.1 Fast growing trade in services around the Commonwealth

Whilst goods trade is still the largest component of intra-Commonwealth trade, trade in services has been growing faster, and in some Commonwealth developing countries, service is of much greater importance to their economic development.⁴¹ In the Caribbean, for example, the structural patterns show that the region is

concentrated more on services and little on the industrial sector. Statistics reveal that the services sector in the Caribbean accounts for about 68.4% of GDP while the manufacturing and agricultural sectors accounts for 7.1% and 7.2%, respectively between 2000 and 2015. Roughly 80% of these service exports are tourism services.⁴²

According to the *Commonwealth Trade Review*, intra-Commonwealth services exports were projected to have risen to \$162 billion in 2015. Services trade within the Commonwealth is powered by five countries, that together account for over 80% of the total: the UK (32%), Singapore (17%), India (12%), Australia (11%) and Canada (9%). A similar pattern of intra-Commonwealth services trade holds across both imports and exports.

Box 5 Commonwealth Secretariat: analysing barriers to services trade

In comparison to the structure of global trade, in which services exports constituted 23.6% of global exports in 2016, the Commonwealth has a substantially higher trade orientation towards services trade of around 30%. However, despite the optimism in relation to services trade for development, understanding unnecessarily restrictive trade barriers is constrained by a paucity of data. Country coverage of Commonwealth member states within internationally renowned databases is limited.

Two of the major institutions that collect information on barriers to services trade (the World Bank and the OECD) are working more closely with the WTO in order to address these gaps and country coverage of SSA is expected to grow in the future. However, only Trinidad and Tobago is covered by the World Bank Services Trade Restrictiveness Index (STRI) in the Caribbean and no member states in the Pacific.

Whilst the World Bank STRI relies on questionnaires completed by respected legal firms within country,

the OECD's approach is to work in country and undertake a thorough a de jure assessment of policy measures on services measures applied across the four modes of supply. In both cases, however, de facto assessments and interaction with the business community in order to validate the results could be substantially improved. No other organisation is working on championing the inclusion of low income countries and small states into these internationally recognised databases.

The Commonwealth Secretariat is championing the inclusion of its small state members within internationally recognised global databases on services trade restrictiveness, in order to enhance export diversification processes. CHOGM18 will see a kick-starter project launched which focuses on overcoming services trade barriers. Before scaling up the initiative, the Secretariat will focus sectoral assessments on a limited number of case studies, beginning with Kenya and Rwanda.



Whilst data on services trade is limited, major categories in the Commonwealth were business services, transportation, travel and tourism, and to a much lesser extent government, financial, insurance and construction services.

Key services (e.g. education, transport, communication), as direct markers of development, increase productivity and competitiveness in global value chains, either as critical inputs (professional services, finance, and transport for example), or as the highest value added tasks for upgrading (marketing, product development, retail).⁴³ In developing Commonwealth countries specifically, services are critical to support economic transformation and sustainable growth.⁴⁴ Services trade in sectors like banking, education, insurance, energy, telecommunications, business services, and transport can be a major driver for boosting the competitiveness of Commonwealth developing country economies and enterprises.

According to a recent survey in Eastern and Southern Africa, firms using professional services are 10–45% more productive than firms that do not use them.⁴⁵ The increased outsourcing and offshoring of services also creates important employment and export opportunities. For example, in South Africa's automotive value chain, indirect job creation effects are substantial because of services.⁴⁶ Knowledge enabled services are increasingly regarded as viable development strategies⁴⁷ for small island states, given the challenges in reaching economies of scale needed for agriculture and manufacturing. ICT enabled services allow an island or landlocked country to export without major disadvantages due to remoteness.

There is therefore a strong case for the services sector to be at the centre of inclusive development and for the Commonwealth to use its networks function to work collaboratively to develop the regulatory frameworks that enable growth in services exports as well as addressing public interest objectives in areas like universal access or financial sector inclusion.⁴⁸

During our Inquiry, we heard evidence from ICTSD who had recently conducted 16 case studies in LDCs and Low Income Countries, which focused on identifying service sector potential and highlighting binding supply-side constraints limiting service sector performance. These studies could provide a useful resource for future Commonwealth work in this area.

3.2.2 The importance of regulatory frameworks and co-operation

One of the key challenges for expanding intra-Commonwealth services trade with developing countries relates to inadequately designed and/or implemented regulatory frameworks.⁴⁹ Working with regulators to ensure domestic regulations are aligned to commitments included in international trade agreements, for example, is key. The provisions in services trade agreements are more complex than for trade in goods, focusing on non-tariff barriers, regulatory cooperation and investment, with both the potential risks and benefits needing to be well understood by governments, trade negotiators and businesses.

Mutual recognition of standards and greater regulatory cohesion are enablers for trade in services, which is becoming increasingly important in terms of stimulating development in Commonwealth developing countries. The Commonwealth is well positioned to convene multi-stakeholder sectoral dialogues on services trade where parties from industry and government can discuss and agree on basic principles for standards-setting and enhance regulatory co-operation and capacity building.

3.2.3 Recommendations and proposals for the Commonwealth

- i. Commonwealth member states, working with external partners like UNCTAD and ITC, should develop a comprehensive long-term action plan, supported by a new Expert Working Group, on expanding intra-Commonwealth services trade,

Box 6 Intra-Commonwealth regulatory co-operation: the case of fintech

Commonwealth countries have an important role to play in terms of regulatory cooperation for trade in services. The UK and Singapore, for example, are at the cutting-edge of regulatory practice and thought leadership in financial services, and are well placed to support Commonwealth developing countries in their efforts to build robust systems of financial regulation through capacity building, technical and training assistance and other forms of regulator-to-regulator outreach and network building.

UK and Singapore regulators are leading efforts towards the development of common best practice regulation and standards in key new industries such as fintech, e-commerce and the wider digital economy as a means to facilitate greater trade in these sectors. At a bilateral level, the UK Financial Conduct Authority and the Monetary Authority of Singapore (MAS) are among the pioneers in the negotiations of "fintech bridge" arrangements, aimed at improving the exchange of information between regulators to facilitate entry of fintech firms in new markets.

As the weight of policymaking attention shifts in focus from the opportunities associated with fintech to the risks it presents, the establishment of both formal and informal channels for the exchange of innovative regulatory solutions between national regulators is increasingly seen as a central plank of regulatory and supervisory capacity building strategies in fintech. This is an issue the MAS is seeking to address through initiatives such as the ASEAN Financial Innovation Network (AFIN) launched in November 2017, which aims to provide a practical environment where financial institutions and regulators can gain better insight into the evolving impact of fintech, from key challenges such as security, data privacy and consumer protection.

The Commonwealth could replicate the knowledge-sharing and best practices initiative promoted by AFIN and strive towards a centralised Commonwealth regulatory standard for fintech, allowing for more "fintech bridges" to be established between pairs of Commonwealth countries. This would also allow for innovations in this field (e.g. in e-payments, mobile money etc) to diffuse across Commonwealth developing countries.

with a portfolio of national and regional actions aimed at identifying, quantifying and tackling regulatory barriers to services trade in Commonwealth developed and developing countries.

- ii. As part of the Expert Working Group's remit, a knowledge-sharing platform should be developed where Commonwealth member country policymakers, regulators and industry representatives can share best-practices and problem-solving approaches in terms of regulatory development and alignment in services sectors. This could draw on the experiences of the Asia-

Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN), the World Bank and the OECD, who run initiatives concerning regulatory reform, including harmonisation.

- iii. The Commonwealth Secretariat, working with member governments, international organisations like the IMF, and services industry players, through the CWEIC, should scale-up its analytical work and disaggregated data collection activities on trade in services across the Commonwealth.

Notably, nearly 44% of the world's entrepreneurs are between 18–35 years old, and younger people are more than 1.5 times more likely to start-up a business than those over the age of 35.

3.3 MAKING TRADE INCLUSIVE: WOMEN, YOUNG PEOPLE AND SMES

Despite the Commonwealth's values and commitments enshrined in its Charter, progress in terms of more equitable inclusion of SMEs, youth and women in economic growth (all key elements of the SDGs 5, 8 and 9), has been slow.⁵⁰ However, we believe that the Commonwealth is ideally positioned to lead on this agenda, championing sustainable economic development that is inclusive of these groups of stakeholders, and using trade and investment opportunities for inclusive economic transformation in its developing country members.

3.3.1 Youth

Young people are the lifeblood of Commonwealth nations.⁵¹ The combined population of Commonwealth member countries is over 2.4 billion. Currently, more than one billion Commonwealth citizens are under the age of 25, and 60% of the Commonwealth population will be under the age of 30 by 2020.⁵² However, youth unemployment is a key concern in many Commonwealth developing countries. In Eastern Caribbean countries, for example, unemployment levels within the 18-30 age bracket range from 30% to upwards of 40%.⁵³

In SSA, many economies face a significant strain with disproportionately high levels of citizens under 30. According to the World Bank, unemployment among young people aged 15–24 years old in SSA has hovered between 12% and 14% since the global financial crisis of 2008. The data does not include youth in vulnerable employment and underemployed in informal sectors, who make up at least 70% of the workforce. The situation in Africa will be compounded by the fact that the youth population is expected to double to over 400m people by 2045. More effectively leveraging trade as a tool to transform these economies can help create much needed employment opportunities for young women and men.

Empowering young entrepreneurs is a particularly important element of leveraging the economic potential of young people in the Commonwealth, as highlighted under SDG 4. Notably, nearly 44% of the world's entrepreneurs are between 18–35 years old, and younger people are more than 1.5 times more likely to start-up a business than those over the age of 35.⁵⁴ On a global level, SMEs make-up 95% of enterprises worldwide, and 70% of global employment.⁵⁵ Inclusive value chains and export sectors provide valuable new opportunities for young entrepreneurs, and integration to value chains and international markets can ensure that SMEs achieve long term success, which can create jobs for the next generation. The combination of youth empowerment and SME success provides a catalyst for sustainable economic development for developing countries. There are, however, a number of bottlenecks to reaching export-markets for youth-owned business, these include:

- Limited access to finance and few capital assets
- Limited business networks
- Limited access to market information
- Limited trade related skills for new young exporters
- Limited trade support services tailored for young entrepreneurs

The nature of the Commonwealth means that it is uniquely placed to provide intra-Commonwealth business networks for young business owners. Developing skills of young entrepreneurs would contribute towards achieving SDG 4, building their potential to establish new businesses, succeed in exporting and create new jobs for others. The Commonwealth can provide a platform to provide tailored advice and support to young entrepreneurial business owners from across its network of Commonwealth business support organisations, capitalising on the 'network-of-networks' setup of the Commonwealth. This platform could be mobilised through CWEIC and partners like ITC and the Tony Elumelu Foundation of Nigeria.⁵⁶ The creation of a new *Commonwealth Young Entrepreneurship* programme, would provide knowledge and tools, and would connect



Woman farmer in Uganda. Photo: Neil Palmer/CAAT / United Nations Development Programme. CC BY-NC-ND 2.0

Box 7 Building skills for young people – the Commonwealth of Learning

The CoL is an inter-governmental organisation that was established by Commonwealth Heads of Government in 1987. It aims to promote and develop distance education and open learning, particularly through the use of technologies for strengthening human resource development in Commonwealth member countries. The CoL's work has recently led to more than 20,000 young people being trained in skill intensive topics in agriculture for employability, and more than 29,000 adolescent girls in three countries were trained in skills for livelihoods.

The CoL is committed to delivering targeted interventions to address the needs of youth across

the Commonwealth, for instance through MOOC platforms which combine mobile delivery with face-to-face practical approaches to training.

The CoL is developing a distance-learning programme for young people to build key skills needed for employment, to be discussed at the London CHOGM in April 2018. Commonwealth member states should capitalise on the Commonwealth's 'network of networks' to develop formal training and mentorship programmes across Commonwealth states that can increase youth employment across sectors, and particularly for young entrepreneurs.

trade promotion organisations, experienced business owners and business leaders with young entrepreneurs in Commonwealth developing countries.

3.3.2 Women

Across the Commonwealth's developing country members, women are particularly active in informal sectors and SMEs; close to 10 million SMEs are owned by women internationally. In Kenya, for example, 24% of SMEs are owned by women, while in Rwanda the figure is 26%. Trade can open opportunities for women, and has been particularly effective at providing formal employment for women in countries producing garments, textiles and electronics.⁵⁷

However women face disproportionate barriers in accessing trading opportunities and markets due to discriminatory attitudes, poor conditions and harassment as well as unequal access to inputs such as credit and land.⁵⁸ The World Bank estimates that of 173 countries, 90% had at least one law impeding women's economic opportunities.⁵⁹ Greater participation by women in the workforce is desirable on all fronts and makes clear

economic sense. For example, it is estimated that by eliminating barriers to women in the workforce, the Asia-Pacific region could increase its output by up to US\$47 billion each year.⁶⁰

Research conducted by UNCTAD and the Commonwealth Secretariat reveals that gender-based inequalities impact on trade policy outcomes and trade performance. Moreover, a lack of gender awareness in policy has the continued result of impeding women's access to markets. This in turn undercuts job creation and local economic vitality at a time when more women are becoming educated and skilled.⁶¹ Public procurement, which, according to Commonwealth Secretariat and ITC, constitutes 10% to 15% of GDP in developed countries and up to 30% to 40% of GDP in LDCs, is one particular area where women-owned business enterprises remain severely under represented.⁶²

Empowering women to enter the workforce and supporting women entrepreneurs to take advantage of opportunities in international markets through gender sensitive policies is key for inclusive development within



the Commonwealth, and a priority under SDG 5. This is an area where rapid results at scale are possible through positive action by private sector companies and their supply chains across the Commonwealth – for example through joining the nearly 1,800 enterprises worldwide who have signed up to the framework of UN Women's seven *Women's Economic Empowerment Principles*.⁶³

1. Establish high-level corporate leadership for gender equality
2. Treat all women and men fairly at work
3. Ensure the health, safety and well-being of all women and men workers
4. Promote education, training and professional development for women

5. Implement supply chain and marketing practices that empower women
6. Promote equality through community initiatives and advocacy
7. Measure and publicly report on progress to achieve gender equality

A second high-impact area for quick-wins, we believe, is delivering tailored-services aimed at facilitating business-to-business contacts between women exporters and entrepreneurs – a leading example of this being the *SheTrades* initiative of ITC (see Box 8).

3.3.3 Small and Medium Enterprises

The role of small businesses cannot be underestimated, especially within developing economies. According to

Box 8 Connecting women in business: ITC's *SheTrades* initiative

ITC launched its *SheTrades* initiative to create an ecosystem of integrated solutions that empower women through trade. The initiative works with governments, the private sector, international organisations, and others to expand opportunities for women entrepreneurs and catalyse trade by focusing on the following seven pillars:

- (1) championing quality data; (2) enacting fair policies; (3) securing government contracts; (4) striking business deals; (5) enabling market access; (6) unlocking financial services; and (7) granting ownership rights.

Charitha Abeyratne Hettiarachchi,
Founder/Chief Executive, *Saraii Village*

Charitha owns Saraii Village, a sustainable eco-tourism resort in Hambantota District in the South of Sri Lanka. This resort provides sustainable travel to discerning consumers and provides local employment. With the support of *SheTrades*, Charitha participated in the world's largest tourism trade fair in Berlin and gained

exposure in the Destination Weddings and Honeymoon magazine. *SheTrades* enabled her to connect with over 50 potential buyers from around the world. Charitha has secured business deals worth more than USD 80,000 with three large international travel agencies. Through *SheTrades* support, Saraii Village employs more staff and plans to expand across Sri Lanka.

Phyllis Mwangi, Founder of SendFlowers and Tandao Commerce

Phyllis Mwangi set up an online flower shop and the success of this venture inspired her to create Tandao Commerce, a platform for online businesses across Africa. With *SheTrades* support, Tandao Commerce took part in CEBIT Hannover, (a leading international trade fair in the IT sector), securing USD 60,000 grant funding for their social program to get 199 women-owned businesses onto an online store and build up their capacity to run sustainable businesses.

According to the World Bank, SMEs in emerging markets are responsible for creating four out of five new jobs in the formal economy.

Box 9 Australia's support to women entrepreneurs across the Pacific

Under the banner of an Australia Awards short course, in November 2017, Australia hosted a delegation of female small business owners from across the Pacific. The course is designed to assist women small business owners to develop the capabilities needed to expand their businesses to new international markets, as well as connect with other women entrepreneurs in Australia.

The two-week intensive international business training program consisted of a tailored training course to help participants develop their export strategies and business plans, followed by an

interactive programme, which included a series of roundtable table events, site visits and networking events. Following the success of the pilot programme, further courses are expected to be delivered for women entrepreneurs from Asia.

The above short course empowers women economically. Such an initiative could be replicated in other Commonwealth countries, allowing women entrepreneurs to gain new skills and insight on trade, as well as connections to potential commercial partners in the future.

the World Bank, SMEs in emerging markets are responsible for creating four out of five new jobs in the formal economy. In low-income countries, SMEs contribute close to 50% of total employment—and this number is higher when informal SMEs are included.

However, more than 50% of SMEs lack access to capital and often face significant challenges in securing trade finance; over half the trade finance requests made by SMEs are rejected.⁶⁴ The trade finance gap (i.e. unmet financial demand) currently stands at \$120 billion for Africa and \$700 billion for developing Asia.

SME finance is an important channel of growth and with up to 80% of global trade being facilitated by trade financing or insurance, it is imperative to support and enhance trade-financing systems. To facilitate broad-based economic growth, expanding trade finance for SMEs and small Commonwealth states is crucial.

Other measures, such as export market information, mentoring programmes and skills development services also can play an important role in enabling SMEs to participate and benefit from international trade within the Commonwealth and beyond. The ITC in Geneva has

extensive expertise, resources and ongoing initiatives to support trade development for SMEs, and we believe the Commonwealth should look to deepen this important partnership. In the same vein, CWEIC's *CommonwealthFirst Programme* helps build the capacity of SMEs to reach export markets.

3.3.4 Recommendations and proposals for the Commonwealth

- i. Commonwealth member countries and institutions like CWEIC and other accredited Commonwealth business organisations should scale-up their partnerships with ITC around the *SheTrades* initiative to support more women-owned businesses to get into exporting, with the aim of operationalizing *SheTrades* in each Commonwealth country and assisting 1 million women-owned businesses over the next 10 years. This would align closely with the aims of SDG 5.
- ii. CWEIC should develop a new Commonwealth Young Entrepreneurship programme to highlight the importance of young entrepreneurs for job creation and boosting economic growth, as well

Factory workers producing fresh fruit drinks in Nawan District, Ghana.
Photo © Dominic Chavez/World Bank. CC BY-NC-ND 2.0.



Box 10 CWEIC's CommonwealthFirst programme

The *CommonwealthFirst* programme, run by CWEIC with the support of Royal Mail, was created to inform UK SMEs of export opportunities across the Commonwealth, and facilitate their export journey. 100 UK SME's have been selected to be Commonwealth Export Champions and as part of the programme the CWEIC has led the group on Trade Missions to India, Malaysia/Singapore and Canada and will be taking a delegation of Export Champions to Queensland as part of Trade2018 and the 2018 Commonwealth Games.

The CommonwealthFirst programme is an innovative concept that can be replicated in other countries and cities across the Commonwealth to drive exporting by SMEs and contribute to sustainable economic growth. Connecting SMEs across the Commonwealth in this way as well as plugging them into other relevant Commonwealth initiatives can help boost trade and investment.

as the specific challenges that they face. The programme can provide a platform to share opportunities for young entrepreneurs in the public and private sector, facilitate young entrepreneur mentoring in e-commerce and business-to-business connections, and develop toolkits for trade promotion agencies and finance institutions to develop tailored services for young entrepreneurs. Again, this would be in line with SDG 4.

iii. The Commonwealth Secretariat should extend the Hubs and Spokes programme and increase its support to Commonwealth developing countries in designing trade policies and domestic regulations that are better oriented and tailored to addressing the needs of women, young entrepreneurs and SMEs. This can be carried out in collaboration with other agencies doing similar activities, such as UNCTAD and UN Women.

iv. CWEIC should pro-actively encourage more Commonwealth business leaders and enterprises to sign up to the Global Compact and UN Women's 7 Empowerment Principles in line with SDG 5. Working together, CWEIC and the Commonwealth Secretariat should also pro-actively encourage

more financiers such as export credit agencies in Commonwealth member countries to address the specific constraints faced by SMEs in accessing credit and trade finance (for instance, through a partnership with the Berne Union),⁶⁵ in line with SDG 8.

v. Commonwealth member countries and institutions like CWEIC and other accredited Commonwealth business organisations should explore the potential to develop a Commonwealth Fair and Sustainable Trade initiative, aimed at expanding and improving opportunities and conditions for producers and workers in domestic and export sectors as part of a Commonwealth commitment to meeting SDG 8 on decent work.

3.4 ADDRESSING SPECIAL NEEDS OF SMALL AND VULNERABLE STATES

3.4.1 The Commonwealth's many SVEs continue to struggle in global trade

Small states are among the most open and trade dependent economies in the world.⁶⁶ Access to the global economy through the vehicle of international trade is critically important to enhancing their prospects for generating and sustaining economic growth and

realising development and prosperity for all. Indeed, while these countries account for a small share of global trade,⁶⁷ the share of trade (exports)⁶⁸ in GDP of these countries is significant (27% for Commonwealth small states⁶⁹ and 16% for Commonwealth LDCs⁷⁰ in 2016).⁷¹

Commonwealth small states continue to struggle in terms of harnessing the potential of trade and investment for promoting sustainable economic development. A comparison of average annual growth rates of merchandise exports suggests that Commonwealth small states have had slower growth than LDCs and developing countries as a whole. Their exports decreased from 0.40% of world trade in 1995 to 0.36% in 2016.⁷² Small states face particular constraints that limit their ability to harness trade and investment and develop globally competitive industries that create jobs and generate income for their citizens. These constraints include:

- Small populations and domestic markets
- Limited scale. For example, in the Eastern Caribbean more than 80% of firms employ less than 4 persons⁷³
- Capacity and skills constraints. For example, these states can find it difficult to exercise their rights and obligations under different international agreements and conventions
- Highly concentrated exports
- Data/market intelligence constraints
- High costs of energy, transportation, and capital
- Geographical remoteness
- Vulnerability to the negative impacts of climate change
- Weak business support services⁷⁴

These systemic challenges increase small states' susceptibility to economic and financial shocks as well as natural disasters. For instance, Cyclone PAM, which hit Vanuatu in 2015, caused economic damage and losses

estimated at 64% of GDP, quashing years of progress.⁷⁵ On average, hurricanes cost \$835 million worth of damage annually in the Caribbean.⁷⁶ SVEs, including SIDS, are also disproportionately affected by the impacts of climate change. Of the 100 countries classified as most vulnerable to climate change, 45 are Commonwealth countries and 27 are Commonwealth SIDS.⁷⁷ With 31 small states in the Commonwealth the Commonwealth Secretariat in particular has been a long-term advocate for SVEs across various regional and international fora.

Supporting Commonwealth SVEs to build the capacity needed to produce tradable goods and services competitively and participate in international trade will enable them to become more resilient and overcome development challenges, such as their small economic bases, with limited production potential focused on commodities and in some cases tourism, as well as their vulnerabilities to natural disasters.⁷⁸ Evidently there is much that needs to be done in order to enable small states to more effectively harness trade and investment as tools to promote economic development, particularly as some of these countries transition from LDC status (see Box 11).

3.4.2 Recommendations and proposals for the Commonwealth

i. The Commonwealth Secretariat should deepen its work with regional bodies, such as CARICOM and the Pacific Islands Forum, to ensure the WTO Work Programme on SVEs under discussion is made more effective and action-oriented. This could include a review of duty free, quota free market access for SVEs, inclusive of non-primary goods (e.g. services or other components in a supply chain), with proposals for reform and better utilisation by exporters in eligible countries.

ii. Commonwealth member countries should adopt and implement the proposed *Blue Charter*, which will apply the 16 principles of the *Commonwealth Charter* to ocean governance, and help SVE

Box 11 LDC transition: vulnerable economies

An unprecedented number of LDCs are expected to reach graduation thresholds, established by the UN Committee for Development Policy (CDP), by 2021. A number of these are Commonwealth members. Graduation has already been decided by the UN General Assembly for Vanuatu in 2020. Tuvalu was recommended for graduation by the CDP in 2012 but without endorsement by the Economic and Social Council (ECOSOC). Kiribati was eligible for graduation in 2015, but not recommended by ECOSOC. The Solomon Islands were found eligible a first time in 2015, so they could be found so again in 2018 and meet the graduation criteria by 2020. However, LDCs expected to graduate by 2021 will do so because of their country income status as opposed to substantial progress on the reduction of economic vulnerabilities and improvements in human capital.*

International institutions such as the World Bank and IMF do not always have specific support programmes or mechanisms for graduating LDCs. There is no established institutional mechanism for the phasing out of LDC country-specific benefits, which can mean the transition process is problematic. The Caribbean Development Bank (CDB) is taking steps to address this challenge of graduation from sources of

concessionary financing and actively seeks to include vulnerability as a criterion for access to development financing. Initiatives such as this have the potential to be replicated in other regions, including the Pacific and SSA, to support Commonwealth LDC states with their graduation transition.

Through a CHOGM18 kick-starter project funded by the UK government, the Commonwealth Secretariat is developing a new methodology for assessing the costs and benefits of transitioning from LDC status. It plans to produce research and information for transitioning member states that will be disseminated in toolkit format. This will form a contribution to the UN platform for sustainable LDC graduation being developed by the CDP, which is scheduled to launch in March 2019. On the whole, the Commonwealth is well placed to contribute to a balanced, new paradigm within which to frame discussions on developing countries graduation to higher income levels.

*Razzaque and Selvakumar (2017) "Putting LDCs back on track Challenges in Achieving IoPA targets" Commonwealth Trade Hot Topics

members to unlock sustainably the value of ocean resources such as fisheries and aquaculture. The Commonwealth should continue to champion issues relating to the blue economy and climate change in global fora.

- iii. The Commonwealth Secretariat should scale-up its valuable and ground-breaking work on trade-related issues and challenges for Commonwealth developing countries' graduating from LDC status. The Secretariat should deepen its engagement with

international organisations such as the UN, the World Bank and the EIF for LDCs to ensure that there is focused and sustained support related to trade and investment for sustainable and inclusive economic development to Commonwealth developing countries graduating from LDC status, and that programming instruments such as the World Bank's Country Assistance Strategies and the EIF's Diagnostic Trade Integrations Studies take proper account of graduation from LDC status.

In order to help Commonwealth developing countries expand exports to both regional and international markets, developed members of the Commonwealth should recognise the importance of increasing their AfT investments, ensuring they are as well-targeted and as effective as possible.

3.5 STRENGTHENING PARTNERSHIPS: GOVERNMENT, BUSINESS, DIASPORA AND CIVIL SOCIETY

Running across all of the four priority action areas we have discussed above, a vital supporting area will be measures to strengthen a set of key partnerships between Commonwealth governments, business, the diaspora and civil society. We believe that a strategic focus on building these partnerships is central to leveraging the Commonwealth's strengths and assets in the area of *Trade and Investment for Inclusive Development*.

3.5.1 Government-to-Government partnerships – Aid for Trade

AfT is a form of official development co-operation aimed at helping developing countries address their constraints to trade. It is a particularly effective form of aid with \$1 in AfT associated with an increase of nearly \$8 in additional exports.⁷⁹ AfT supports countries to build capacities to trade and address adjustment

costs when implementing trade agreements. It involves aid for economic infrastructure, regulatory reform, building producing capacities, trade policy support or simply money transfers to ease adjustment during trade liberalisation.

In order to help Commonwealth developing countries expand exports to both regional and international markets, developed members of the Commonwealth should recognise the importance of increasing their AfT investments, ensuring they are as well-targeted and as effective as possible. AfT facilitation, for example, is effective in reducing trading costs, and increased aid to economic infrastructure has a positive impact on export performance. These results are generally replicated both in African countries and small vulnerable economies. AfT is most effective when it addresses the most binding constraints, supports policies and institutions in recipient countries, and coordinates a range of actors. One recent study found that a doubling of AfT investments could increase merchandise exports by on average 3.5%, for example.

Box 12 Australian AfT: building support systems for small businesses in Asia and the Pacific

Under a pilot initiative, Australia will be working with developing countries in Asia and the Pacific to build the internal capacity of export associations or chambers of commerce to deliver improved services and support to MSMEs in their markets.

In the first year, the initiative will involve mapping of the existing trade ecosystem in these markets. The following year, the program will focus on the demonstration of effective knowledge sharing and networking. In partnership with the local industry body, the programme will use the insights from the research work undertaken in each country to organise a three-day in-country train-the-trainer seminar. A successful train-the-trainer programme

will enable local industry bodies to provide SMEs with education and better connections to local and international entrepreneurial ecosystems. In the third year, the program will establish a mentoring and business exchange programme, as well as convene a SMEs international business conference.

Building export capacity and capabilities is key to enhancing sustainable economic development in developing Commonwealth countries. By providing better access to knowledge, networks and mentoring, Commonwealth member states can improve the support offered to small businesses in developing member countries seeking to engage in international trade.



Through the Commonwealth's convening power and knowledge-sharing platforms, there are real opportunities for donors and beneficiaries of Aft programmes to come together to co-ordinate Aft strategies, share and replicate best practices, and to scale-up successful initiatives that are delivering proven impact. For example, in the area of trade facilitation in particular, there would seem to be real potential in learning from the decade of experience gained through the *TradeMark East Africa* initiative, which has been supported by the UK and Canada amongst several other donor governments in the EAC.

Better targeted Aft could also include consideration of how labour mobility schemes could further be promoted as employment opportunities for developing countries, and support to develop appropriate regulatory frameworks to enhance e-commerce and digital trade.⁸⁰ The Commonwealth could also focus its Aft investments to support key institutional infrastructure investments related to trade, such as fumigation equipment, weights and measures, and upgrading standards laboratories, which are all key for developing countries to be able to export to major markets and trading partners in areas such as food and agribusiness where they have good potential.⁸¹

3.5.2 Business-to-business partnerships and public-private dialogue

Private sector firms are ultimately the actors that engage in trade and investment, and work to overcome the barriers they face along the way. Improving public-private sector engagement and coordination on trade and investment issues in the Commonwealth is crucial to understanding what businesses need to grow sustainably, and the policies and initiatives that will help increase their productive capacity and compete in world markets. A specific and important new dimension of this dialogue is the explicit expectation for public and private sector participation in NTFC that must be established in each WTO member country as part of implementation of the TFA.

The Commonwealth is fortunate to have an established institution to support this work through CWEIC and other business-related accredited organisations in the extended Commonwealth family, although we expect that a significant scaling up of public-private sector engagement on *Trade and Investment for Inclusive Development* will be required over the next decade. The bi-annual *Commonwealth Business Forums*, now held alongside each CHOGM, are an excellent platform for high-level dialogue, advocacy and building partnerships for action. However additional mechanisms are needed to facilitate much more extensive business-to-business links across the regions of the Commonwealth and to hard-wire the deep and regular engagement of the private sector right across the Commonwealth's work on *Trade and Investment for Inclusive Development*. Special efforts also need to be made to ensure that the engagement of business is inclusive, not limited to just major corporations but also SMEs, women-owned businesses and young entrepreneurs.

Encouraging and enabling the private sector in Commonwealth countries to engage in sustainable and responsible trade and investment is key to ensuring that every country and segment of society has the opportunity to adapt to, and benefit from, rules-based global trade. Initiatives like the ITC's Sustainability Map, which offers information that allows SMEs and international buyers to adopt better sustainability practices in international trade, should be actively promoted. Tools such as this help build connectivity, distribute the benefits of trade more broadly and give a voice and visibility to tiers of the value chain that have traditionally been marginalised.⁸² The Commonwealth can leverage its strength as a 'network-of-networks' and create a platform where dialogue can take place and best practice can be shared.

3.5.3 People-to-people partnerships – Commonwealth diaspora and civil society

There is a real opportunity for the Commonwealth to boost trade and investment by leveraging its people-

Box 13 The Nigerian-UK Diaspora Direct Investment Summit (NDDIS)

The NDDIS was established to help Nigerians in the Diaspora connect with British and international business leaders. Its aim is to galvanise Nigerian businessmen and women in the Diaspora, their counterparts in UK Businesses, along with international investors to establish businesses in Nigeria. As individuals, as organisations, or by creating partnership with UK businesses, the focus of NDDIS is on the generation of sustainable employment in Nigeria. NDDIS's research indicates that, in addition to its substantial contribution via remittances, the Nigeria Diaspora, in UK alone, has around £25bn currently held in low interest savings accounts that could be invested in Nigeria. NDDIS believes this will also facilitate a better trade relationship between the United Kingdom and Nigeria

The NDDIS also provides an opportunity to identify potential sources of finance, technology and

technical skills that could boost the promotion and stimulation of enterprise and the creation of jobs in Nigeria. The NDDIS has engagement with the UK Department for International Trade, the British African Business Alliance, AFFORD and the UK Foreign and Commonwealth Office, as well as the support of the Nigerian Federal Ministry of Trade, Industry and Investment, the High Commissioner of Nigeria to the UK and Nigeria Presidency officials who have attended every NDDIS conference.

The work of the NDDIs illustrates a prime example of diaspora cooperation across Commonwealth nations that have its foundations in the shared values, culture and history of the Commonwealth. Commonwealth members should seek to develop more of these kinds of initiatives with their Diaspora to use as a platform to further trade and investment links.

to-people links so as to nurture the human development drivers of economic growth.⁸³ The Commonwealth is home to large and dynamic diasporas; recognising the unique role of these diaspora networks represents an important opportunity as their investment power and business connections in their home markets are often underestimated.⁸⁴

A recent study by the Commonwealth Secretariat, estimated the baseline diaspora investment potential for Commonwealth countries at approximately US\$73.2 billion per annum; this comprises US\$47.6 billion raised from migrants (migrant investment potential) and US\$25.6 billion raised from their children (first-generation diaspora investment potential).⁸⁵ Together this is equivalent to approximately 50% of current remittances to Commonwealth countries per annum and roughly \$30 per annum for each Commonwealth

citizen globally. The report found that Commonwealth diaspora investment potential is greatest in absolute terms for the South Asia region (India, Pakistan, Bangladesh, Sri Lanka), but also significant for Canada, South Africa and Trinidad and Tobago.

The diaspora provides a unique factor in developing mutually beneficial trade and investment relationships, for example there are strong links between the UK, Canada and the Caribbean as well as countries such as India, Pakistan, Nigeria, Kenya and Bangladesh. New export diversification opportunities, central to economic transformation, can arise because of the demand for local consumer products of the diaspora in many Commonwealth countries. The diaspora can also be a key elements investor itself or financial contributor to the countries of origin and be particularly effective at linking economic agents and households. In addition,

Recognising the unique role of these diaspora networks represents an important opportunity as their investment power and business connections in their home markets are often underestimated.

second generation diaspora can also provide an important source of technical and professional skills when they invest in their home markets, often introducing new technologies and business methods as part of their enterprises.

As we highlighted in Part 2, the Commonwealth is made-up of diverse and extensive civil society networks stemming from its shared history, spanning a wide range of sectors and encompassing over 80 accredited associations of parliamentarians, citizens group and professional bodies in areas like tax, accountancy, and science. Strengthening partnerships in the Commonwealth should be championed and promoted through civil society networks with interests related to trade and inclusive development. Nurturing this valuable asset can help to bolster efforts at the levels of government-to-government and business-to-business co-operation, whereby civil society organisations on the ground can play an important advocacy and accountability role.

3.5.4 Recommendations and proposals for the Commonwealth

- i. Commonwealth developed country members should define and publish concrete commitments to increase their AFT programmes and funding for developing countries and LDCs over the period to 2030 in line with their commitments under SDG 8.
- ii. Supported by the Commonwealth Secretariat and its convening power, Commonwealth developed and developing member should establish a new dialogue and co-operation on improving effectiveness of AFT in the Commonwealth. This can be achieved by sharing good practice and scaling-up successful, impactful programmes across the developing regions of the Commonwealth. The focus of this dialogue and co-operation should be around the priority topics in a new Commonwealth work-programme on *Trade and Investment for Inclusive Development*, such as reducing trade costs

and WTO TFA implementation, expanding services trade, boosting investment and trade finance, and targeted initiatives for young entrepreneurs, women traders and SMEs.

- iii. Commonwealth member states, supported by the Commonwealth Secretariat, should establish a Commonwealth Development & Trade Finance Institutions Sub-Committee under the oversight of the Commonwealth Finance Ministers to increase engagement and collaboration from concessional lenders like the CDC Group, FinDev Canada, IFC, the African Development Bank, the Asian Development Bank, European Investment Bank and the Caribbean Development Bank, in Commonwealth SVEs and LDCs to improve their trade related infrastructure and supply-side capacities. This Sub-Committee should look to expand the Commonwealth trade finance facility for small states set up by India, Mauritius, Malta and Sri Lanka after CHOGM 2015, co-ordinate development finance availability for eligible Commonwealth member countries, and consider measures to mitigate impacts on trade of de-risking by financial institutions in SIDS and SVEs.
- iv. Commonwealth members and institutions should continue to support enhanced public sector-private sector co-operation in the Commonwealth on green growth. This includes adequate financing for the Commonwealth's Climate Action Hub, operationalizing the Commonwealth Green Finance Facility, and encouraging more CWEIC members to join business-to-business platforms that connect green technology providers and users, such as the WIPO GREEN initiative.
- v. The Commonwealth should better recognise the contribution of its diaspora and civil society to trade and investment for inclusive development. The Commonwealth Secretariat and CWEIC should deepen support to existing diaspora initiatives and help scale these up to include more Commonwealth



Women in a local water committee in the town of Dhar, Madhya Pradesh, India, inspect their accounts. Photo © ODI. CC BY-NC-ND 2.0.

diaspora investors and business people. They should also develop a toolkit and case studies to assist Commonwealth governments in better understanding and harnessing the potential of Commonwealth diaspora and civil society to spur trade and investment for inclusive development across member countries.

4 Next steps and the way ahead

In Part 2 of this Report, we set out the compelling case for a new Commonwealth agenda on *Trade and Investment for Inclusive Development* to deliver on the shared commitment of Commonwealth members to promoting sustainable economic development and advancing the UN SDGs by 2030. In Part 3, we then set out five priority areas for action where this agenda should focus, substantiating these with accompanying recommendations and concrete proposals.

To conclude our Report, in this Part we focus on how the Commonwealth can make this agenda happen and turn potential into reality. We begin by looking at the role that CHOGM 2018 should play in providing the mandate and political direction for a new Commonwealth agenda on *Trade and Investment for Inclusive Development*. We then set out some broad directions for what we believe the work programme and processes should look like after the first two years following CHOGM 2018. Finally, we consider the milestone provided by CHOGM 2020 in Malaysia for taking stock of progress achieved, reviewing lessons learned and agreeing plans for scaling-up of the work programme in the decade to 2030.

4.1 CHOGM 2018: SETTING THE MANDATE AND POLITICAL DIRECTION

At CHOGM 2018 in mid-April in London, 'boosting intra-commonwealth trade and investment, maximising the opportunities offered by the 'Commonwealth Advantage' is one of the four priority themes set by the UK as the Host. The UK will then become the Chair-in-Office of the Commonwealth for two-years from the date when CHOGM 2018 commences.

The platform of CHOGM 2018 week, not just the Leaders' retreat and formal Communiqué, but also the Business Forum, the Youth Forum, the Women's Forum and People's Forum, provide an ideal opportunity for member countries to give political direction and set a new mandate on *Trade and Investment for Inclusive Development*, laying out a roadmap for action and progress up to the next major milestone of CHOGM 2020 in Malaysia.

At CHOGM 2018, we believe that Commonwealth member countries should agree on a vision of values-led trade and investment as tools for sustainable economic development and job creation, and commit to developing a medium-term work programme that takes into account the different geographic and socio-economic features of the Commonwealth. At its heart, this vision should be grounded in the values and principles set out in the Commonwealth's Charter, and be centred around the objective of shared prosperity between and within Commonwealth member countries, achieved through values-led trade, inclusive economic growth and creation of sustainable jobs. Recalling Part 3 of this Report, we believe Commonwealth leaders should define five priority action areas within this agenda:

- Reducing the costs and risks of trade and investment
- Boosting services trade through regulatory co-operation
- Making trade more inclusive: women, young people and SMEs
- Addressing the special needs of small and vulnerable states
- Strengthening partnerships: government, business, diaspora, civil society

4.2 2018–2020: ESTABLISHING THE WORK PROGRAMME AND GOVERNANCE

4.2.1 Work programme development and leadership

The work programme should define the overall objectives and priority areas of action and focus. It should identify existing initiatives that the Commonwealth could put its stamp on and support (such as those of the UN or international institutions), as well as opportunities to expand its existing work (for example the *Commonwealth Trade Review* and the *Hub and Spokes* programme), particularly through strategic partnerships with international, regional and national stakeholders.

Commonwealth member countries should agree on a vision of values-led trade and investment as tools for sustainable economic development and job creation.

During its time as Chair-in-Office of the Commonwealth over the next two years, the UK should use this advocacy role to help build support and momentum across the Commonwealth for the successful establishment of the work-programme and pro-actively crowd-in support from external partners. The development of the work programme should be led by a High Level Task Force, co-chaired by two Commonwealth Trade Ministers and supported by the Commonwealth Secretariat, which would ensure the proper incorporation of linkages with relevant existing initiative, such as the *Connectivity Agenda* adopted at the CTMM in March 2017.

The Task Force should report to the Commonwealth Working Group on Trade and Investment, and work in close consultation with member countries, relevant Commonwealth organisations, such as the CWEIC, regionally focused Commonwealth organisations and key stakeholders from the private sector and civil society. These organisations should work collectively towards common goals and each have joint ownership over the initiatives that fall within their areas of expertise. We believe that the Task Force should complete its consultations across Commonwealth member countries and present the work-programme for endorsement by Commonwealth Trade Ministers before the end of 2018.

4.2.2 Action oriented, results-based

The work programme to be developed for the new Commonwealth agenda on *Trade and Investment For Inclusive Development* should be clearly focused on deliverable actions aimed at achieving measurable results. It should include realistic timetables for delivery, phased where necessary up to 2030, but with detailed planning over an initial 2 year period for 2019-2020 and then a rolling 4 year period thereafter to synchronise efficiently with the bi-annual CHOGM process. The work programme should include information on budgetary and resource requirements, and set out clear responsibilities for action, oversight, progress monitoring and reporting.

We heard a clear message from stakeholders giving evidence during our Inquiry that the Commonwealth's work on *Trade and Investment for Inclusive Development* must have a strong results focus, with the potential to deliver real impact and positive change. In practical terms, this means that the work programme established must be ambitious in terms of objectives and impact, but must also realistic and measurable. It should include a detailed results framework, with clear targets, success indicators, milestones, and baseline data. As an example of good practice that the Commonwealth can follow, we have noted that the APEC set an explicit headline target in its regional trade facilitation action plan of reducing trade costs within the bloc by 5% in a 3 year period. The work-programme should also spell out how, when and by whom progress and achievements will be measured, ensuring that this is done rigorously, transparently and independently where necessary.

Clearly the work-programme will have to address the challenge of defining sets of priority objectives and activities across a wide geographical area, with 53 member countries at different levels of development and with particular interests and needs. We believe the best way to accommodate this level of complexity is to allow for some flexibility and variable geometry across, for example, different regions of the Commonwealth or different income-level categories of countries. In this way, individual Commonwealth member countries would be able to self-select their highest priorities for co-operation with the rest of the Commonwealth, and to frame the implementation timetables according to their own capabilities and regional processes. This would increase the ownership and buy-in from individual Commonwealth member countries, but it should also be a mechanism to enhance their accountability for making progress.

4.2.3 Expert Working Groups on key topics

We foresee that within the framework of the overall agreed Commonwealth work programme on *Trade and Investment for Inclusive Development*, there would be

The Windhoek Vocational Training Centre in Khomasdal, Namibia. Photo: John Hogg / World Bank. CC BY-NC-ND 2.0.



A portrait of Blindeth, Sierra Leone. Photo © Dominic Chavez/World Bank. CC BY-NC-ND 2.0.



a number of Expert Working Groups established on key topics under the overall auspices of the Commonwealth Trade and Investment Working Group, established in September 2017, which should report to Commonwealth Trade Ministers, and be supported by the Commonwealth Secretariat and other Commonwealth institutions, particularly the CWEIC, and external partners.

These working groups would serve as dedicated platforms to support implementation of the overall work programme activities as well as better facilitating detailed knowledge-sharing and co-operation (including AFT) amongst Commonwealth members in these specialist areas. Each working group should arrange for extensive input and regular dialogue with the private sector. Provisionally, we believe an initial list of Expert Working Groups could be as follows:

- i. Trade facilitation and customs
- ii. E-commerce and the digital economy
- iii. Services
- iv. Investment
- v. Women, Youth & SMEs (including access to trade finance)
- vi. SVEs
- vii. Development Finance

There may be a case for some of the Expert Working Groups to interact with the organ of the Commonwealth Finance Ministers Meeting, as well as the Commonwealth Trade Ministers Meeting. This issue maybe most relevant for the working group on Trade facilitation and customs (as in many Commonwealth countries customs agencies report are supervised by Ministries of Finance) and the working group on services (particularly in relation to key financial services such as banking and insurance).

4.2.4 Commonwealth Trade Ministers' Meetings

Building on the success of the CTMM meeting in London in March 2017, it seems sensible to us for Commonwealth members to agree to hold bi-annual meetings of

Commonwealth Trade Ministers as the apex oversight organ for a new Commonwealth agenda on *Trade and Investment for Inclusive Development*. At these CTMMs, ministers would be able to review progress in delivering the work programme, provide guidance and direction for the Commonwealth Secretariat and other implementing partners, and develop new proposals for consideration and decision by Commonwealth leaders at the next scheduled CHOGM.

For CTMMs to be as effective and productive as possible, we believe that each participating minister from a Commonwealth member state should be expected to report on progress they have made, domestically and through their co-operation with partners, in implementing activities under the five priority action areas of the overall *Commonwealth Trade and Investment for Inclusive Development* work-programme. The Commonwealth Secretariat should service the formal meetings of the CTMMs, and international institutions and partners should be invited as observers. We would also like to see proceedings of CTMMs being conducted with the maximum transparency towards wider Commonwealth stakeholders in business and civil society.

We believe that the innovative format of the CTMM worked well and should be continued, with ministers engaging informally with business leaders on the first day facilitated by the CWEIC, and on the second day concluding their formal business under the auspices of the Commonwealth Secretariat. Following the protocol which Commonwealth Finance Ministers use, we believe that Commonwealth members should in future appoint one minister to serve in the role of Chair for each CTMM. The location of future CTMMs should be considered flexibly and pragmatically, to ensure the maximum participation in the most efficient manner possible: this could mean holding CTMMs back-to-back with ministerial meetings of the WTO or the ACP Group for example, again following the practice of Commonwealth Finance Ministers who meet in the margins of the IMF/World Bank annual meetings each year.

The work programme to be developed for the new Commonwealth agenda on *Trade and Investment For Inclusive Development* should be clearly focused on deliverable actions aimed at achieving measurable results.

4.3 WORKING TOGETHER TO MAXIMISE SUCCESS

From the evidence we have gathered in this Inquiry, we believe there are a number of ways of working that will be central to the successful establishment and delivery of a new Commonwealth work-programme on *Trade and Investment for Inclusive Development* over the medium term. It is important that these are properly taken into consideration in framing the work-programme, resource requirement and governance arrangements.

4.3.1 Engaging governments, business and civil society

Two major strengths of the Commonwealth are its broad geographical reach and large population size, making up no less than one third of the planet's total population. In addition, however, unlike some international or regional organisations that are focused on economic co-operation, the Commonwealth is not just a government-to-government body – in fact, quite the opposite, the Commonwealth already has a wide range of existing structures and platforms that can engage in and support broad-based dialogue, knowledge sharing and partnerships between governments, business and civil society around a new agenda on *Trade and Investment for Inclusive Development*.

As we have learned through this Inquiry, in addition to the Commonwealth Secretariat, the Commonwealth has its own apex private sector platform (the CWEIC), its own civil society platforms (the Commonwealth Foundation and Royal Commonwealth Society), its own very active association for parliamentarians (the CPA), its own dedicated distance learning organisation (the CoL) and its own platforms and networks for young people (for example, the Commonwealth Youth Council). Indeed, the Commonwealth's has over 80 accredited organisations covering sectors like women in business, universities, fashion, telecommunications, and professional bodies such as law, accountancy, engineering, and medicine.

We see this "extended institutional family" as a major asset for the 53 member countries of the Commonwealth as they work towards establishing a broad-based agenda for values-led trade, inclusive economic growth and sustainable jobs over the next decade. The Commonwealth's institutional family not only brings in a rich and diverse set of knowledge and perspectives, it also provides strong legitimacy and transparency for the Commonwealth's work.

4.3.2 Utilising web-based platforms and social media tools

A key point which flows logically from section 4.3.1 is the pressing need to design effective, efficient mechanisms for information sharing, knowledge sharing and collaboration more generally amongst the widely dispersed 53 Commonwealth governments, business, civil society and their co-operating partners in developing, delivering and monitoring a new Commonwealth agenda on *Trade and Investment for Inclusive Development*. The Commonwealth has already started to embrace these tools (for example, the Commonwealth Small States Office in Geneva has state-of-the-art video conferencing facilities to allow missions to communicate easily with capitals), but we believe much more can and should be done in this area.

As one example, during this Inquiry, we looked at the Commonwealth's engagement with certain social media platforms, as these would seem a highly appropriate means for communicating with the huge audiences of business and civil society stakeholders, not least those from the younger generation of Commonwealth citizens, around the different geographies and time zones of the Commonwealth. As at the beginning of March 2018, the official Twitter account of The Commonwealth (managed by the Commonwealth Secretariat) had just over 50,000 followers, whilst the CWEIC's main Twitter account had fewer than 1,000 followers. Benchmarking these against some peer institutions shows the potential of these tools as communication channels, and the scope for

Good-will and existing working relationships with international partners can and should be capitalised upon as a matter of priority.

improvement: for example, the official WTO Twitter account has over 300,000 followers and the World Economic Forum has over 3.3 million followers.

4.3.3 Co-ordinating with international partners

As we have found throughout this Inquiry, the Commonwealth already has well-established relationships in areas related to trade and development with international organisations, such as UNCTAD and ITC, and regional economic community organisations across the world which include Commonwealth developing country members like SADC, EAC, COMESA, CARICOM, PIFS and the OECS. What has also been striking to us is that these international organisations have a great willingness to deepen their co-operation with the Commonwealth, to share their expertise, and to enable Commonwealth developing countries to better access and participate in their on-going programmes – such as ITC's *SheTrades* initiative on connecting women-owned businesses for exporting for example.

In moving ahead with a new trade and development agenda for the Commonwealth, these levels of good-will and existing working relationships with international partners can and should be capitalised upon as a matter of priority. They can provide extensive technical expertise, established data collection and measurement systems (in areas like non-tariff trade barriers and trade costs for example), an immediate springboard for achieving impacts quickly on the ground, and promote co-ordination and uptake of good practice and promising initiatives, rather than duplication and re-inventing of wheels.

In a similar vein, another aspect of this co-ordination with international partners should be ensuring strong Commonwealth support for the existing multilateral trading system and its agreements – such as intra-Commonwealth dialogues on shaping the future work at the WTO on trade and development, and making sure that Commonwealth developing country

members can access the technical and financial co-operation they need to implement the WTO's TFA in a timely fashion in line with their respective national commitments.

4.4 CHOGM 2020: TAKING STOCK AND SCALING-UP TO 2030

Following the London CHOGM in April 2018, Malaysia is scheduled to be the next host for CHOGM 2020. We believe that the gathering of Commonwealth leaders in Malaysia in 2020 should be seen as a key milestone for the new Commonwealth agenda on *Trade for Investment for Development*.

With a mandate and political direction from CHOGM 2018, Commonwealth members and institutions would have the opportunity of around 24 months to establish their work programme and governance arrangements, completing some quick-wins and getting longer-horizon activities underway. Towards the end of the period, Commonwealth members should also develop and agree ambitious objectives and plans for scaling-up the work programme, building on foundations and lessons in the first period, up to 2030.

We believe Commonwealth Trade Ministers should meet at least once before CHOGM 2020 to oversee and guide this work, and to recommend proposals on scaling-up for formal decision by Commonwealth leaders when they gather in Malaysia. Commonwealth Trade Ministers should also submit to CHOGM 2020 a detailed progress report, setting out what has been achieved under their work programme since CHOGM 2018.

The CHOGM 2020 Business Forum, People's Forum, Youth Forum and Women's Forum in Malaysia will also all provide excellent platforms for Commonwealth members, institutions and partners to share progress reports and plans for scaling-up of the Commonwealth's agenda on *Trade and Investment for Inclusive Development* with a much wider-group of stakeholders, particularly from the Commonwealth Asia and Pacific regions.



From top to bottom: Young Bangladeshi women being trained at the Savar Export Processing Zone training center in Dhaka, Bangladesh. Photo: © Dominic Chavez/World Bank. CC BY-NC-ND 2.0; Traders work on the floor of the Ghana Stock Exchange. Photo: Jonathán Ernst/World Bank. CC BY-NC-ND 2.0; Woman works in a small shop, Ghana. Photo: © Arne Hoel/The World Bank. CC BY-NC-ND 2.0; A man in a white shirt is talking on a mobile phone while standing in a meeting or training session. Photo: © Dominic Sansoni/World Bank. CC BY-NC-ND 2.0

This will be invaluable in deepening buy-in and ownership across business and civil society, giving a major boost for efforts to realize the potential of the Commonwealth in promoting sustainable economic development for all its members and citizens, and securing our shared, prosperous future.

ANNEX 1 VALUES AND PRINCIPLES OF THE COMMONWEALTH

The Commonwealth Values and Principles

1. Democracy
2. Human Rights
3. International Peace and Security
4. Tolerance, Respect and Understanding
5. Freedom of Expression
6. Separation of Powers
7. Rule of Law
8. Good Governance
9. Sustainable Development
10. Protecting the Environment
11. Access to Health, Education, Food and Shelter
12. Gender Equality
13. Importance of Young People in the Commonwealth
14. Recognition of the Needs of Small States
15. Recognition of the needs of Vulnerable States
16. The Role of Civil Society

Source: *The Charter of the Commonwealth*, 2012

ANNEX 2 LIST OF CONTRIBUTORS**Participants at the Inquiry Hearings, November 2017**

Lord Jonathan Marland	Chairman, Commonwealth Enterprise and Investment Council
Dr Josephine Ojiambo	Deputy Secretary-General (Political), Commonwealth Secretariat
Mr Bonapas Onguglo	Chief, Trade Analysis Branch, UNCTAD
Dr Marion Jansen	Chief Economist, International Trade Centre
Dr. Emily Jones	Associate Professor in Public Policy (Global Economic Governance), University of Oxford
Mr Arif Zaman	Executive Director, Commonwealth Businesswomen's Network
Mr Philippe Isler	Executive Director, Global Alliance for Trade Facilitation, World Economic Forum
Dr Len Ishmael	Former Director-General of the Organisation of Eastern Caribbean States
Mr Michael Gidney	Chief Executive, Fairtrade Foundation, UK
Mr Shanker Singham	Director of Economic Policy and Prosperity Studies, Legatum Institute
Mr Mark Pay	Managing Director, Direct Equity, Sectors & Regions, CDC Group
Dr Andrea Giacomelli	Aid-for-Trade/Trade Policy Advisor, Permanent Delegation of the Pacific Islands Forum to the WTO, Geneva
H.E. Ambassador Mere Falemaka	Permanent Representative of the Pacific Islands Forum to the WTO, Geneva
Ms Deborah Vorhies	Managing Director, International Centre for Trade and Sustainable Development, Geneva
Dr Alex Vines	Head, Africa Programme, Chatham House
Mr Bimbo Roberts Folayan	CEO, Nigerian Diaspora Direct Investment Summit, UK

Other Evidence Gathering Sessions and Consultations

Mr Akbar Khan	Secretary General, Commonwealth Parliamentary Association, UK
The Hon Francois-Philippe Champagne	Minister of International Trade, Canada
Ms. Isabelle Durant	Deputy Secretary-General, UNCTAD
Ms. Shamika Sirimanne	Director, Trade Division, UNCTAD
The Hon Alan Kyerematen	Minister of Trade, Ghana
The Hon Tefo Mapesela	Minister of Trade, Lesotho
The Hon Steven Ciobo	Minister of Trade, Tourism and Investment, Australia
The Hon Liam Fox,	Secretary of State for International Trade, UK
The Hon Vincent Seretse	Minister for Trade, Botswana
Ms. Mariam Md. Salleh	Malaysian Ambassador to WTO
Ms Arancha Gonzalez	Executive Director, International Trade Centre
Dr Josephine Ojiambo	Deputy Secretary-General, The Commonwealth
The Hon Anglu Farrugia	Speaker of Parliament of Malta and Chairperson of CPA Small Branches
The Rt Hon Baroness Patricia Scotland	Secretary General, The Commonwealth
Mr Rick Nimmo, Director	British Group of the Inter-Parliamentary Union
Mr Richard Burge	Chief Executive, CWEIC
John Pemberton-Piggot	Director of Policy & Programmes, CWEIC
Mr Nick Oliver	NMS International
Ms Emma McClarkin	Member of the European Parliament
Mr Philip Bouverat	JCB
Ms Faye Ye	City of London Corporation
Ms Anna Firstbrook	UK Department for International Development (DFID)
Mr Steven Wignall	Head of Trade & Investment Policy, CHOGM 2018 Summit Unit, UK Cabinet Office
Dr Dhananjayan Sriskandarajah	Secretary General, CIVICUS

Written Evidence Submissions

ACP Young Professionals Network	Lord Howell of Guildford
African Union Commission, Department of Trade and Industry	Mining Shared Value, Engineers Without Borders Canada
Australian Ministry for Trade, Tourism and Investment	Ministry of Commerce, Consumer, Innovation, Trade and Labour, Tonga
Bonapas Onguglo	Ministry of Foreign Affairs and External Trade, Solomon Islands
Building Understanding Through International Link for Development (BUILD)	Ministry of Foreign Affairs and Foreign Trade, Jamaica
Caribbean Community (CARICOM) Secretariat	Ministry of Industry, Trade and Tourism, Malawi
City UK, the	Organisation of Eastern Caribbean States Secretariat, the Ornamental Aquatic Trade Association
CIVICUS	Pacific Islands Forum Secretariat
Commonwealth Business Women's Network	Ramphal Institute, the
Commonwealth Enterprise and Investment Council (CWEIC)	Royal Commonwealth Society, the
Commonwealth Parliamentary Association	Tony Blair Institute for Global Change
Headquarters Secretariat	Trade Justice Movement
Commonwealth Secretariat, The	Transparency International UK
Confederation of British Industry (CBI)	Trinidad and Tobago, Ministry of Trade and Industry
CUTS International	UK Africa All-Party Parliamentary Group
Fairtrade Foundation	UK Department for International Development
Global Alliance for Trade Facilitation, World Economic Forum	Walls of Benin
Global Trade Professionals Alliance	
Government of Samoa	
Len Ishmael, Former Ambassador of the Eastern Caribbean States to Europe	
International Centre for Trade and Sustainable Development (ICTSD)	
International Organisations Bureau, Canadian Government	
Justin Moore, Development Monitor	

ANNEX 3 ENDNOTES

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OUR SHARED PROSPEROUS FUTURE

An agenda for values-led trade, inclusive growth
and sustainable jobs for the Commonwealth