

Commonwealth Trade After the EU Referendum

An Assessment by Alan Wheatley March 14th 2016

Introduction

A successful “Leave” campaign will mean that after 23rd June the UK must look to make new trade arrangements. While one such arrangement will be with the EU, the UK would now be able to make its own trade arrangements with all the countries of the World. This document considers only the prospects for trading with Commonwealth countries.

The Commonwealth has a population four times that of the EU, trade and GDP is increasing, and the Commonwealth wants to encourage this for the benefit of all countries, large and small, developed and developing. There is massive scope for innovation and investment, with the experienced helping the inexperienced to the benefit of all the countries within the Commonwealth family. It does not take much imagination to foresee UK trade within the Commonwealth dominating. And if The Commonwealth seems physically distant relative to the EU, it is worth remembering that Britain became *great* when international communication was by sailing ship.

The Commonwealth as a Trading Partnership

First, what does the Commonwealth look like as a trading partner? It is made up of 53 independent countries with a combined population of 2.2 billion that work together to pursue common goals. All members have an equal say, regardless of their size or economic status. It is connected by an active network of more than 80 intergovernmental, civil society and professional organisations.

Here are some facts from the Commonwealth Secretariat relevant to trade:-

- the combined gross domestic product of Commonwealth member countries is predicted to reach US\$14 trillion by 2020;
- intra-Commonwealth trade in goods and services is estimated at more than \$680 billion and projected to surpass \$1trillion by 2020, and plausibly \$2.75 trillion by 2030;
- Commonwealth members' combined exports of goods and services are valued at \$3.4 trillion, which is about 15% of the World's total exports;
- in sub-Saharan Africa eight out of the top ten most innovative economies are Commonwealth member countries.

The Commonwealth Advantage

Although not a trading block, the Commonwealth provides a favourable trading environment which is attributed to its unique nature:

- a diverse grouping of 53 countries with shared historical ties;
- predominant use of one language;
- similar legal and administrative systems;
- large, dynamic diaspora networks.

A new report presented at the Commonwealth Heads of Government Meeting (CHOGM) in Malta (November 2015) shows this has been found to result in the average costs of bilateral trade between Commonwealth countries to be a fifth lower than where one trading partner is not a Commonwealth country. This finding of a “Commonwealth advantage” is not new having previously been identified in reports in 2010 and 1997.

Commonwealth Plans

The Commonwealth Heads of Government at Malta reiterated their strong commitment to rules based, transparent, free and fair multilateral trade and investment as a foundation for economic growth. They encouraged member states to ratify the WTO Trade Facilitation Agreement, and recognise the importance of creating a fair and equitable trading system. Also, they recognised the

need for capacity-building that promotes inclusive and effective participation in the inter-national trading system, recognising the special requirements of least developed countries and small and vulnerable economies.

Being well aware of the “advantage” and the importance of trade as a means of furthering Commonwealth objectives, the Commonwealth is actively planning to promote trade between Commonwealth countries. The Commonwealth Enterprise and Investment Council (CWEIC) is a not-for-profit membership company with a mandate to facilitate increased trade and investment across the Commonwealth. It runs a number of programmes and is responsible for organising the Commonwealth Business Forum (CBF) alongside the biennial Heads of Government Meeting.

The Business Forum in Malta in November 2015 reflected the CHOGM theme of “Adding Global Value” by selecting six themes of relevance to all Commonwealth countries: financial services; infrastructure; technology; healthcare; tourism; sustainability. Partners in the UK are already working in these areas, and the CBF are looking for more.

Also at Malta, the Commonwealth Trade Finance Facility was initiated to help augment trade and investment finance, particularly for small and other developing economies with limited access to trade finance.

Prospects, Priorities and Perspectives

The Commonwealth Trade Review 2015, described by the Commonwealth Secretary-General as a “flagship publication”, presents the Secretariat's specialised research on trade. It offers perspectives on important trade issues, informs global policy discourse, puts forward important lessons learnt and identifies best practice in leveraging trade to achieve development. There are calls to action for Commonwealth members to unlock the enormous opportunity of their collective trade potential as they seek to realise their development aspirations; this is a powerful demonstration of the Commonwealth adding global value for its member countries.

Intra-Commonwealth trade is already substantial and is growing rapidly. Growth can be enhanced by providing help: with trade policy and negotiations; investments in hard and soft infrastructure; promoting private sector development.

While many small Commonwealth states are vulnerable to the effects of “climate change” they may also be well placed to exploit a transition to low carbon economies. For example, the falling price and increasing efficiency of solar panels are best exploited where there is abundant sunshine.

Conclusions

We know as a fact that with only the sailing ship for the transport of goods, people and communications, a small country on the western edge of Eurasia became the most successful colonial power ever seen. The Empire morphed into the Commonwealth, and its 53 member countries work collectively for the benefit of all. The Commonwealth Games, also known as the “Friendly Games”, is a good illustration of how the collective endeavour works through social and cultural connections. Reports show there is a trade advantage for Commonwealth countries trading with each other. Commonwealth institutes recognise the importance of trade for growth and prosperity. The Commonwealth has plans to encourage and facilitate trade so that all countries will benefit by exploiting their assets and benefiting from the help of other Commonwealth countries strengths.

We now inhabit a world with intercontinental jet travel, enormous container ships and the internet. It is so much easier to trade goods, and services can be provided from an office anywhere to anywhere using the expanding spectrum of electronic channels, such as video conferencing.

The UK is ideally placed to make use of its enterprise culture for its own benefit and that of all other Commonwealth countries, from large to very small, safe in the knowledge that is what the Commonwealth, as an organisation, is seeking to achieve and that other Commonwealth countries will be happily playing their part.

Bibliography

<http://thecommonwealth.org/>