
Commonwealth Trade Review 2018

*Strengthening the Commonwealth Advantage.
Trade, Technology, Governance*

Key Issues and Findings for Africa



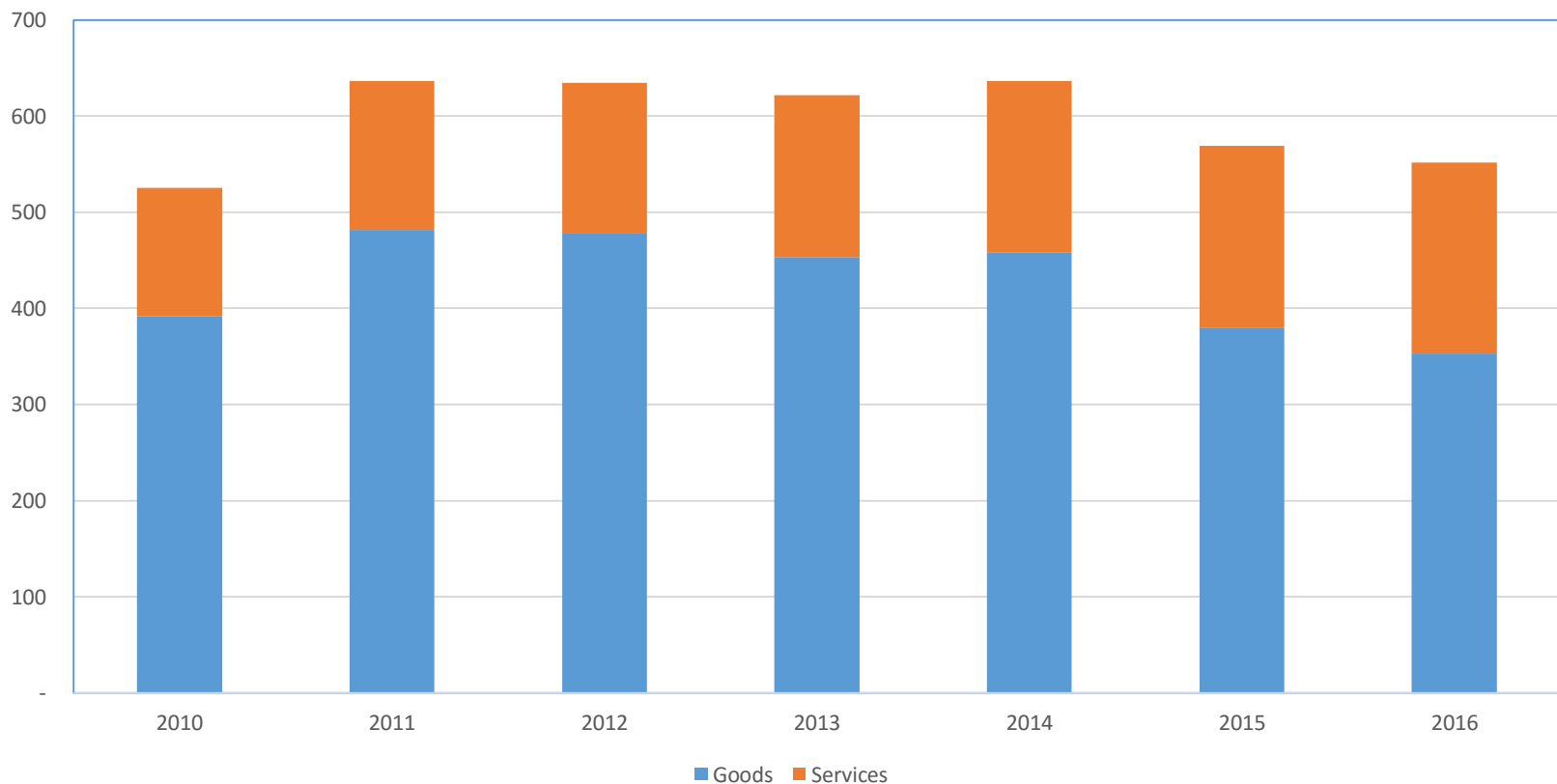
The Commonwealth

Background

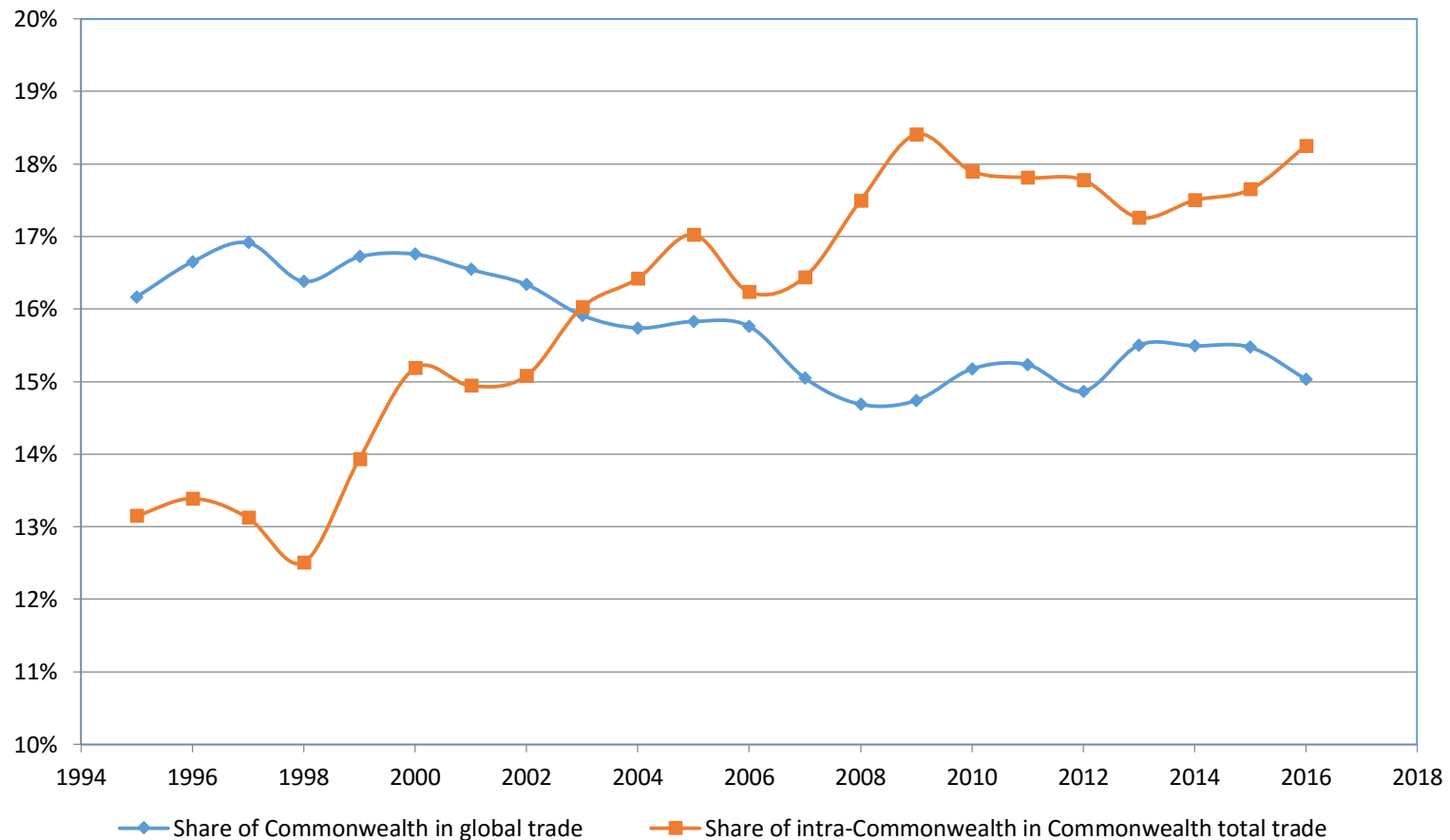
- ***The 2015 Commonwealth Trade Review*** found evidence for a Commonwealth Advantage, where members tend to:
 - Trade around 20% more than otherwise.
 - Generate 10% more investment with each other than with non-member countries.
 - Bilateral trade costs are, on average, 19% lower.
 - Why?
- ***The 2018 Commonwealth Trade Review*** explores how members can strengthen this Commonwealth Advantage in two ways:
 - Harnessing new technologies, especially digitisation, to trigger new trade and investment opportunities.
 - Strengthen trade governance to reduce trade costs further.

Part 1: Commonwealth trade and investment trends

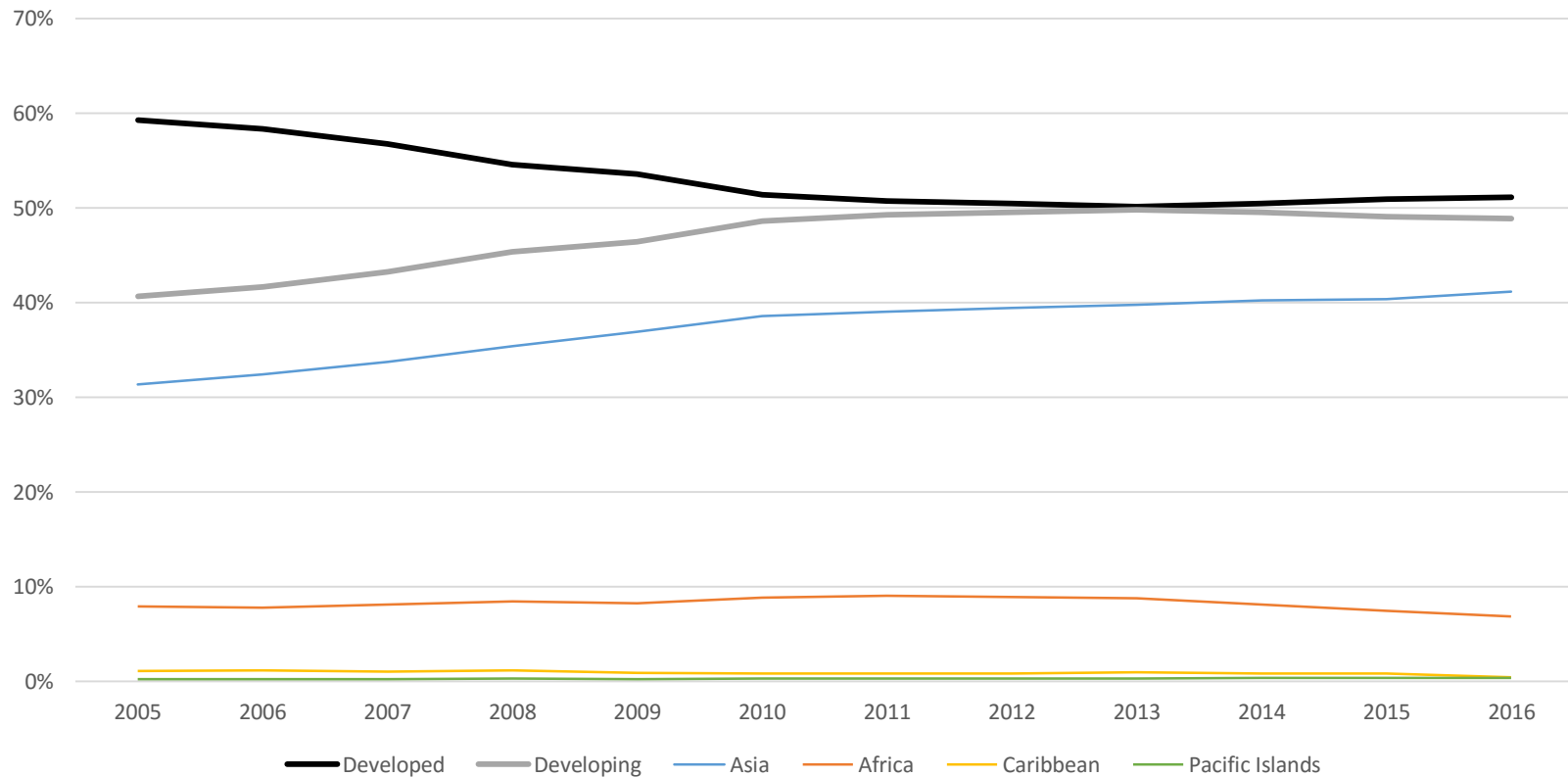
The global trade slowdown affected the growth of intra-Commonwealth trade: US\$560 billion in 2016



But there is a rising share of intra-Commonwealth trade at around 20%

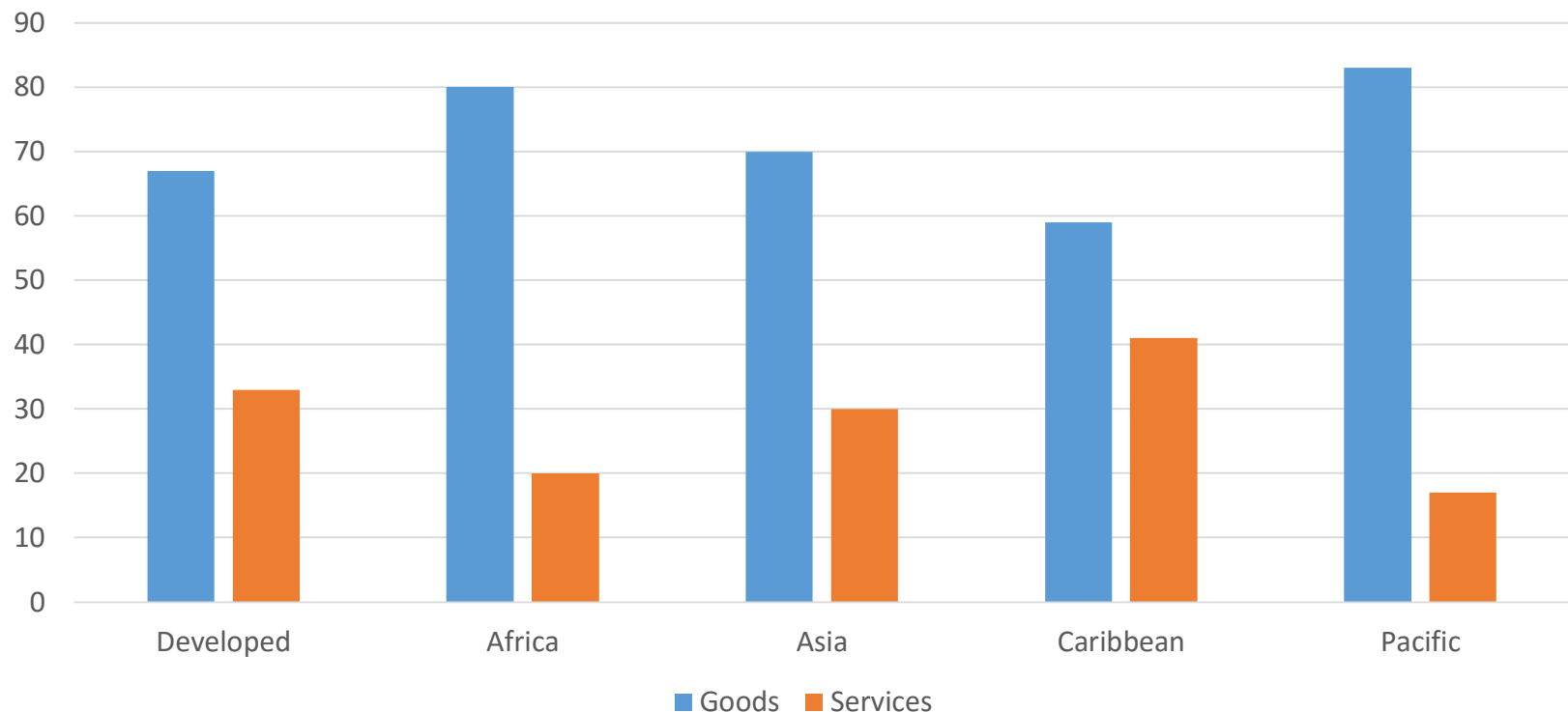


Drivers of overall Commonwealth world trade are shifting: a rising share of developing countries led by Asia (41%)... but declining trend for Africa (6.9%)



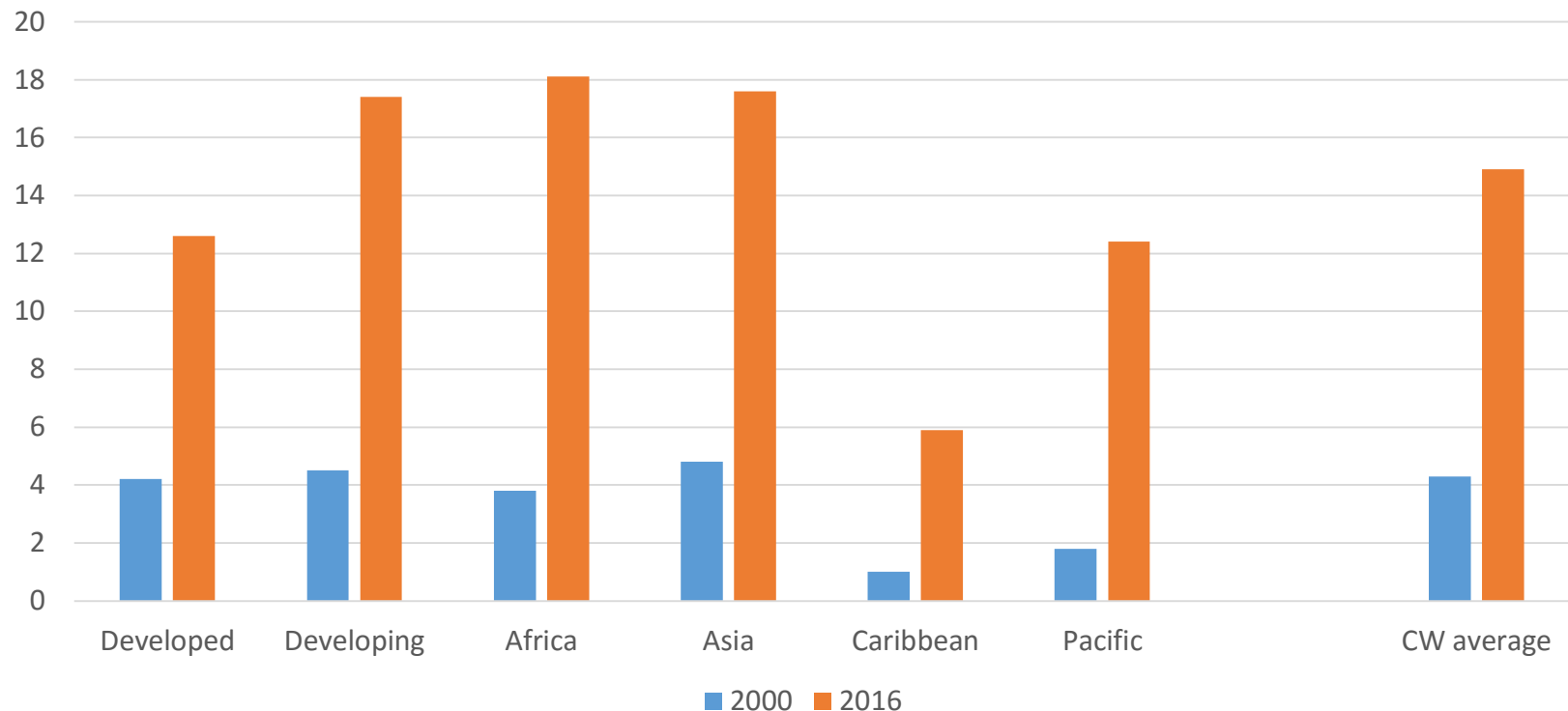
Commonwealth African countries depend heavily on goods for their world exports; while services make the lowest contribution after the Pacific

Share of goods and services exports by Commonwealth region, 2016 (%)



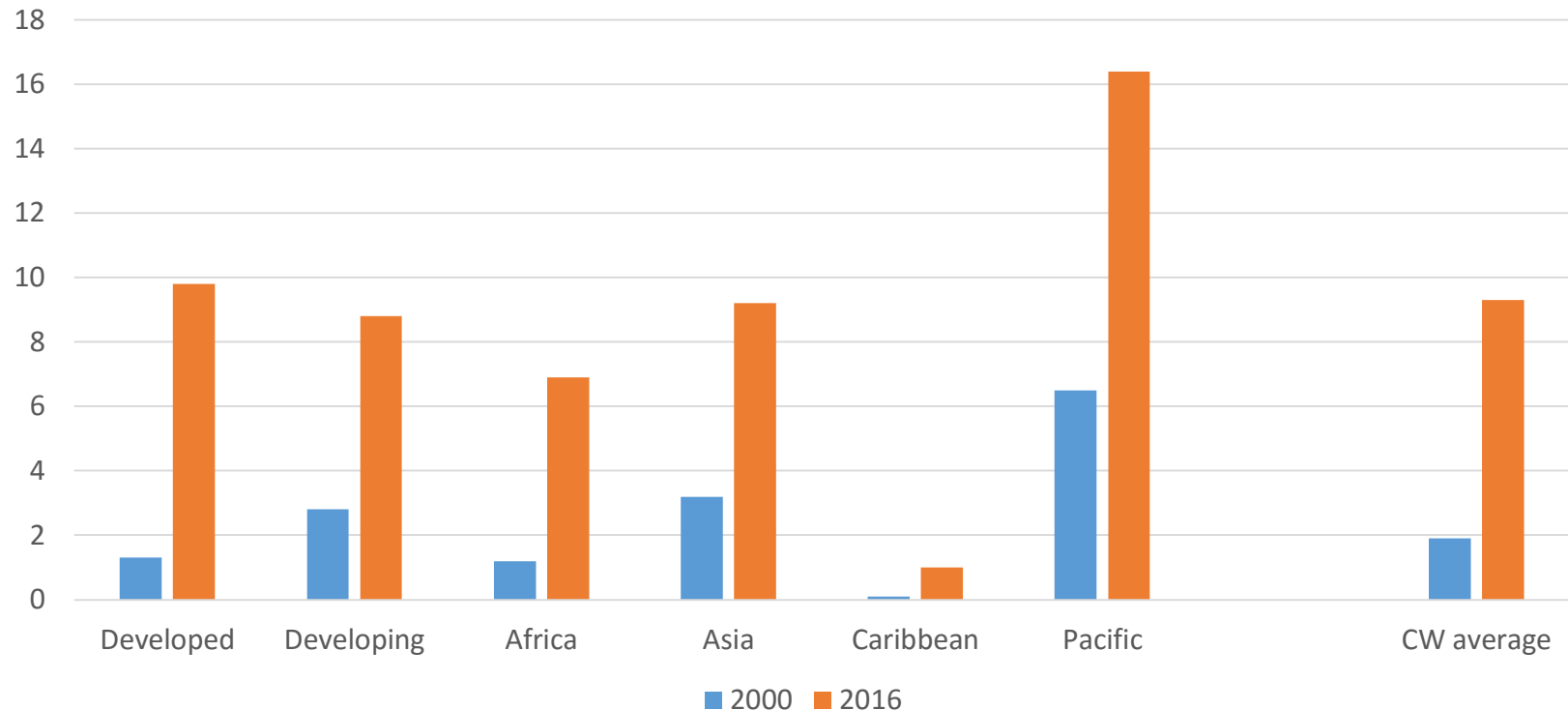
China's total trade with the Commonwealth grew 8.4x from US\$33 billion to US\$277 billion... while Commonwealth/RoW trade grew only 1.1x

Commonwealth countries' IMPORTS from China (% of total imports)



Pacific countries have taken advantage of growing China trade, expanding imports and exports, given their more favourable geographic position

Commonwealth countries' EXPORTS to China (% of total exports)

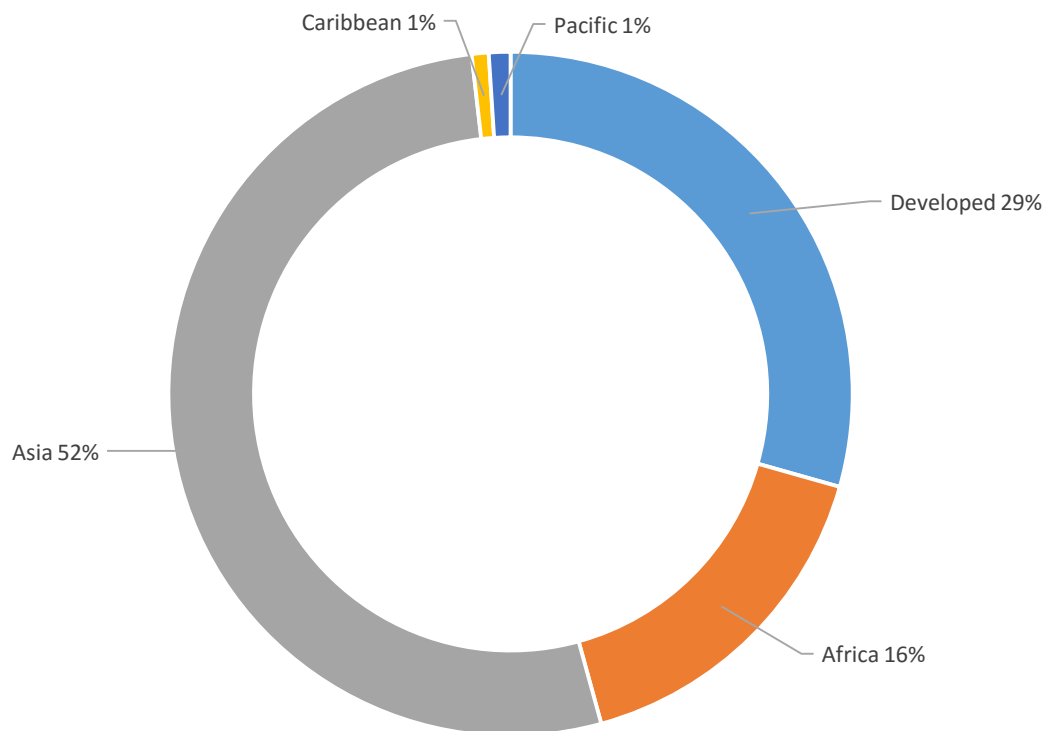


Small states depend heavily on Commonwealth trade, especially SACU... bigger economies (SA, Nigeria) less

GOODS exports (2013-15 average)	% of world exports going to the Commonwealth	SERVICES exports (nearest year)
Botswana, Lesotho, Namibia, Nauru, eSwatini	More than 70%	
Papua New Guinea, Tonga, Tuvalu	Between 60% and 70%	
Fiji, Kiribati, Malawi , Samoa, Solomon Islands, Vanuatu	Between 50% and 60%	Solomon Islands, New Zealand, Fiji, eSwatini
Brunei Darussalam, Dominica, Uganda, Mozambique, Zambia	Between 40% and 50%	Samoa, Kiribati, Papua New Guinea, Botswana , Brunei Darussalam, Tonga, Malawi , Bangladesh, Vanuatu, Sri Lanka
Bangladesh, Grenada, Mauritius, Rwanda , St Vincent and the Grenadines, Seychelles , Sri Lanka	Between 30% and 40%	Mauritius, Lesotho , Barbados, Uganda, Zambia , Guyana, Australia, Kenya, Namibia, Ghana
Antigua and Barbuda, Barbados, Cameroon, Ghana , Guyana, Kenya , New Zealand, Sierra Leone, Tanzania	Between 20% and 30%	Tanzania , Malaysia, South Africa, Mozambique, Rwanda , Malta, Pakistan, The Bahamas, Trinidad and Tobago, Nigeria , Grenada, Antigua and Barbuda, Seychelles , St Vincent and the Grenadines, India, Sierra Leone
Australia, The Bahamas, The Gambia , India, Jamaica, Malaysia, Malta, Nigeria , Pakistan, St Kitts and Nevis, Saint Lucia, Singapore, South Africa	Between 10% and 20%	Singapore, Cameroon , Jamaica, Cyprus, Saint Lucia, St Kitts and Nevis, Belize, Dominica, United Kingdom, Canada
Belize, Canada, Cyprus, Trinidad and Tobago, United Kingdom	Up to 10%	

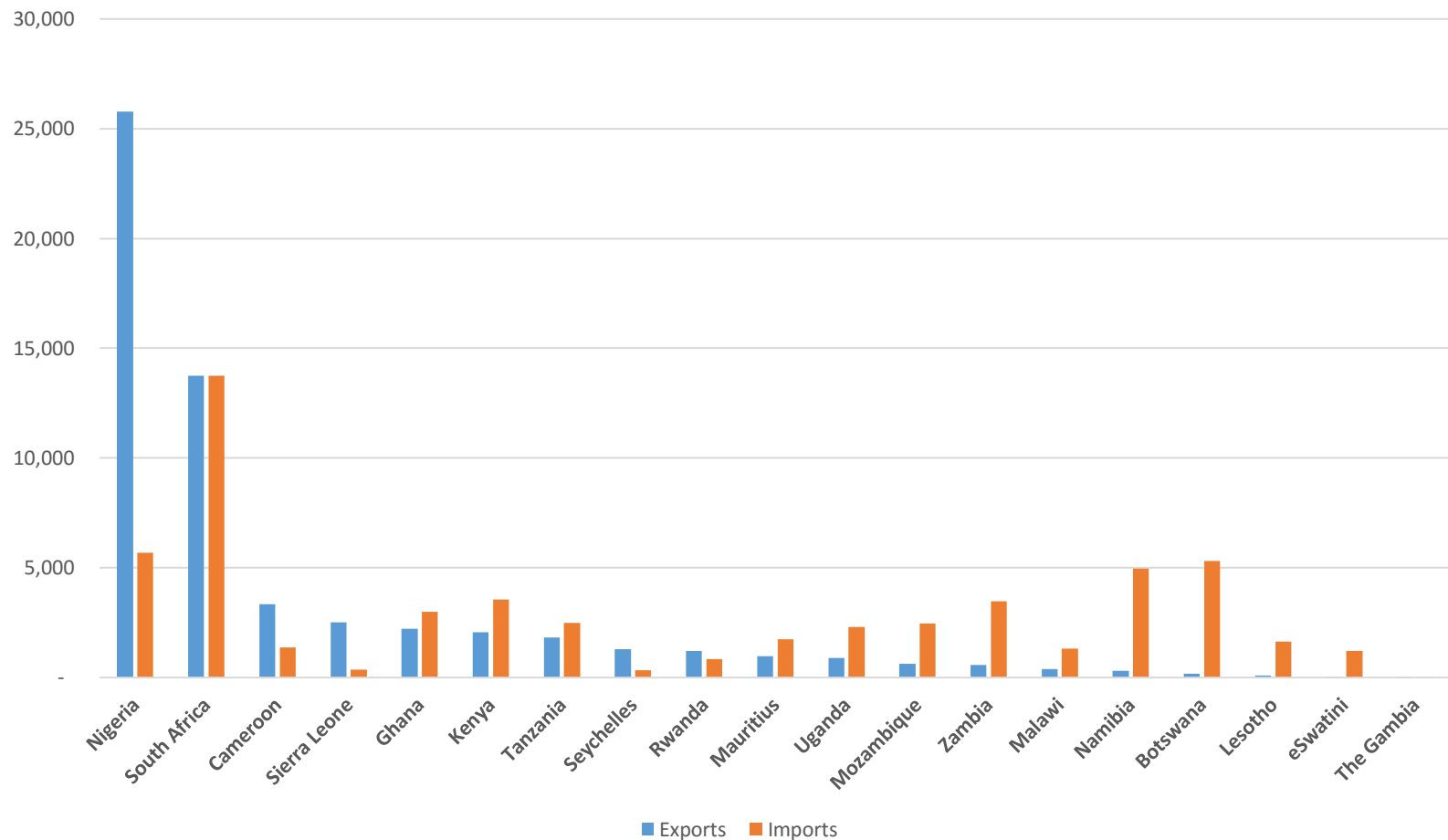
Africa contributes 16% of intra-Commonwealth goods exports (US\$57.9 billion in 2016); also 16% of imports

Share of merchandise exports of Commonwealth countries by regions, 2016 (US\$354 billion)



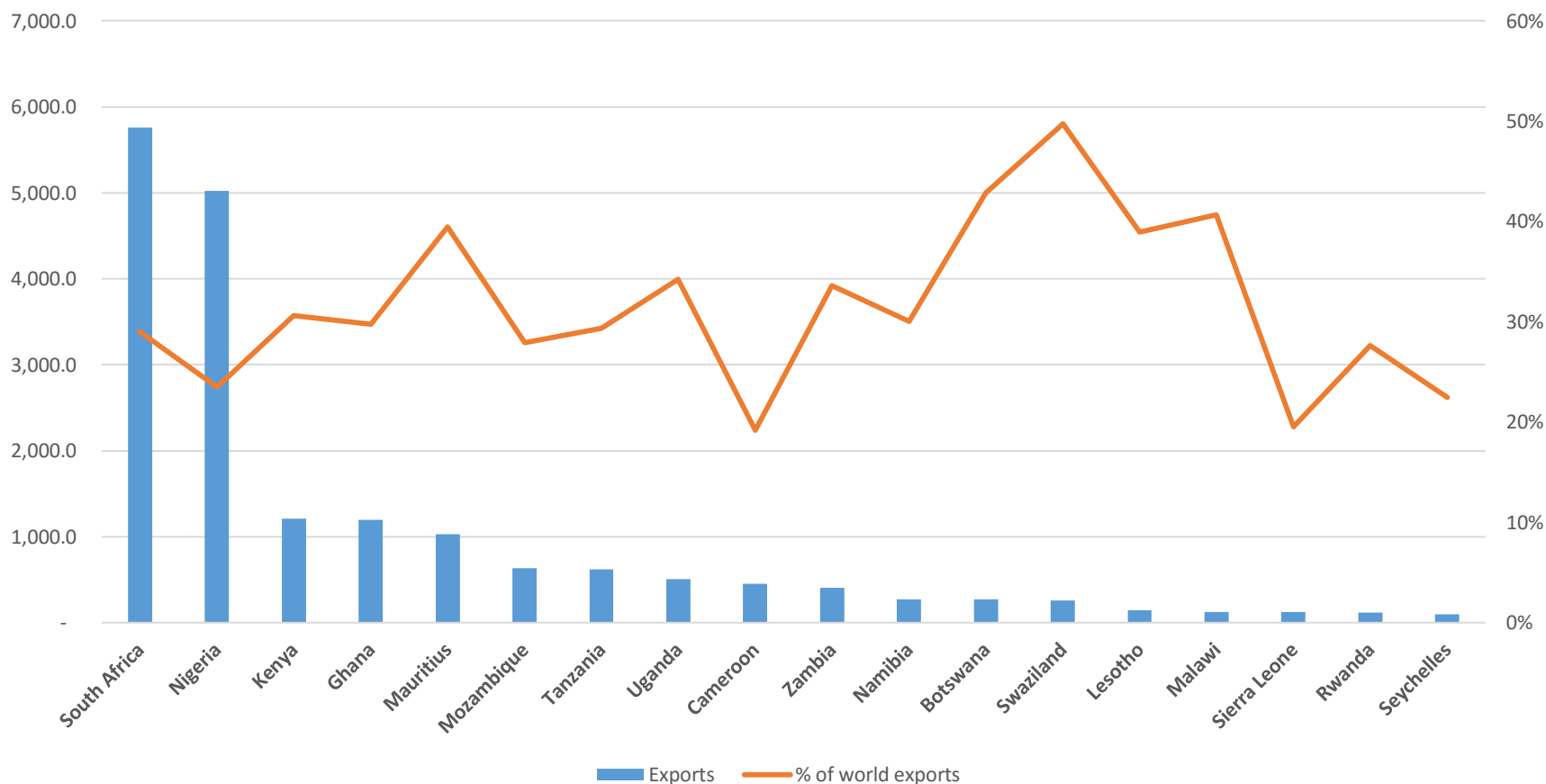
Nigeria is the largest goods exporter; SA has balanced trade; 2/3rds imported more goods than they exported

Value of intra-Commonwealth trade in goods by African members, 2016 (US\$ million)

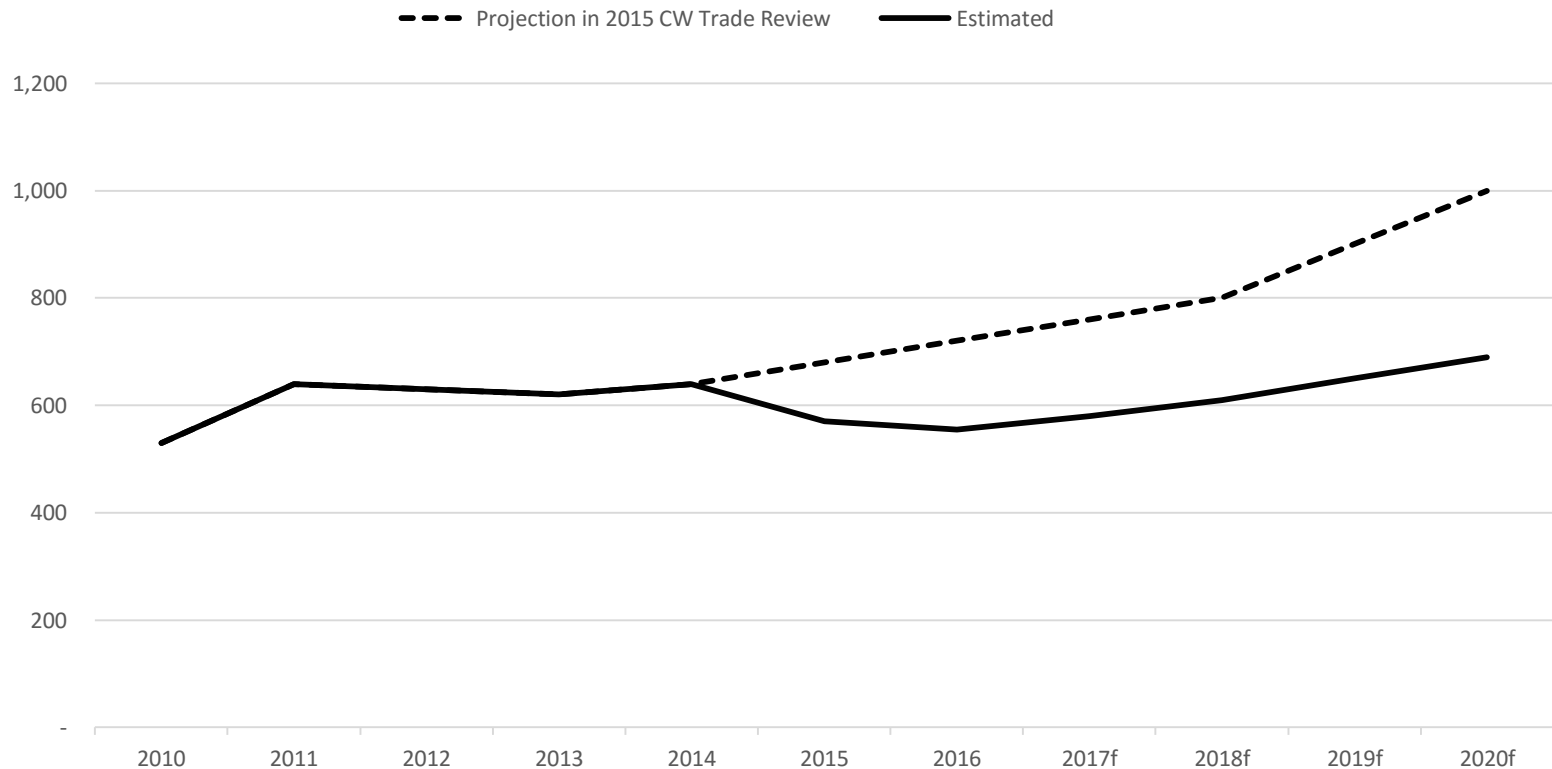


SA and Nigeria are biggest exporters of services in intra-Commonwealth trade, over US\$10bn

Value of intra-Commonwealth services exports by African members, 2012 (US\$ million)



Intra-Commonwealth trade projected to reach US\$700 billion by 2020, while proactive policy measures can trigger even greater gains...



Intra-Commonwealth productive FDI is projected to reach around US\$1 trillion by 2020, under certain conditions

SNAPSHOT OF CUMULATIVE INTRA-COMMONWEALTH GREENFIELD INVESTMENT, 2003–2016

Total intra-Commonwealth
greenfield investment



US\$700 billion

Top source country

UNITED KINGDOM

Top destination country

INDIA

Total number of projects

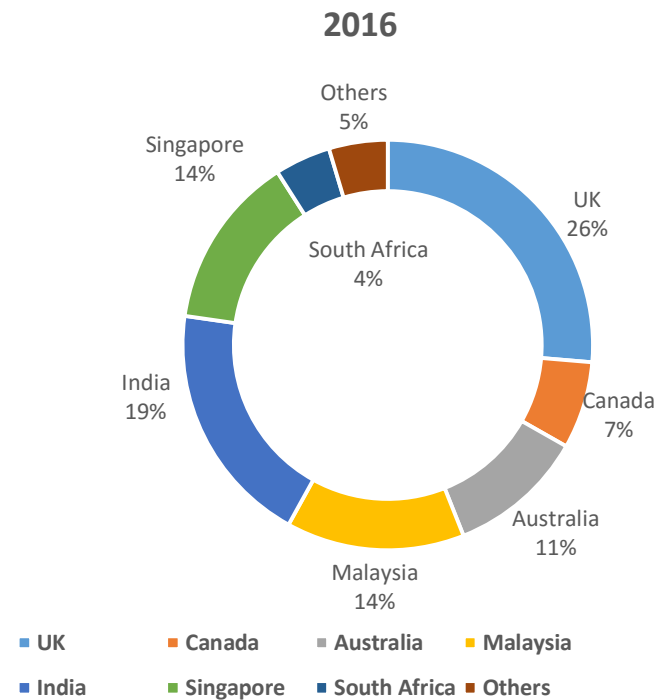
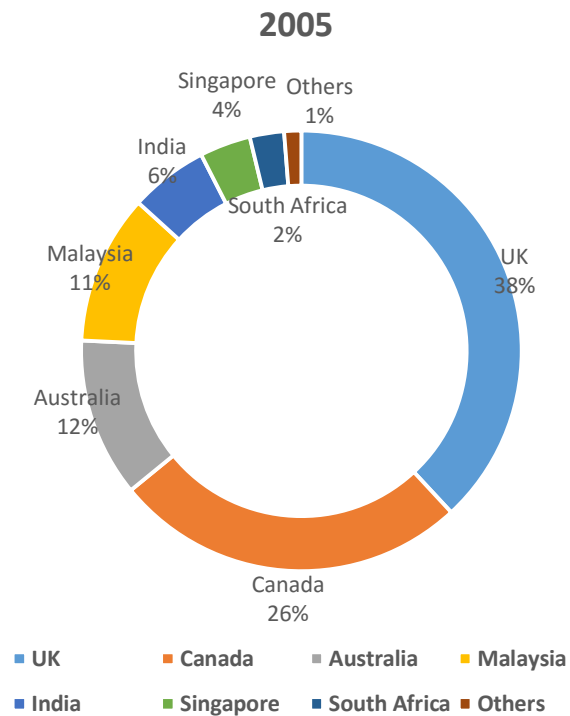
 **10,000**

Total jobs created

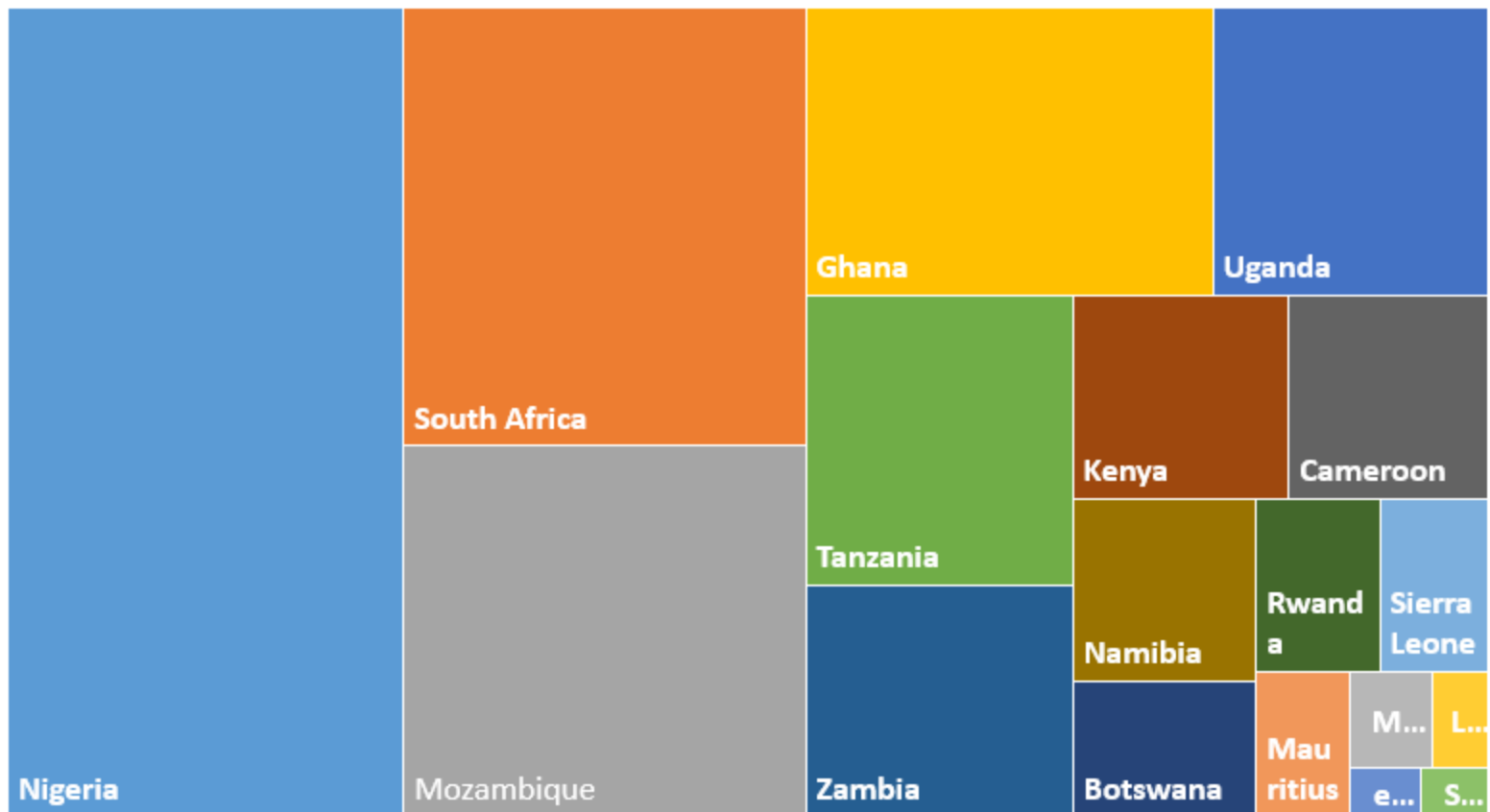
 **1.4 million**

Source: Data from FDI Markets, Financial Times

Growing prominence of India, Singapore and Malaysia as sources of intra-Commonwealth FDI; for Africa, SA



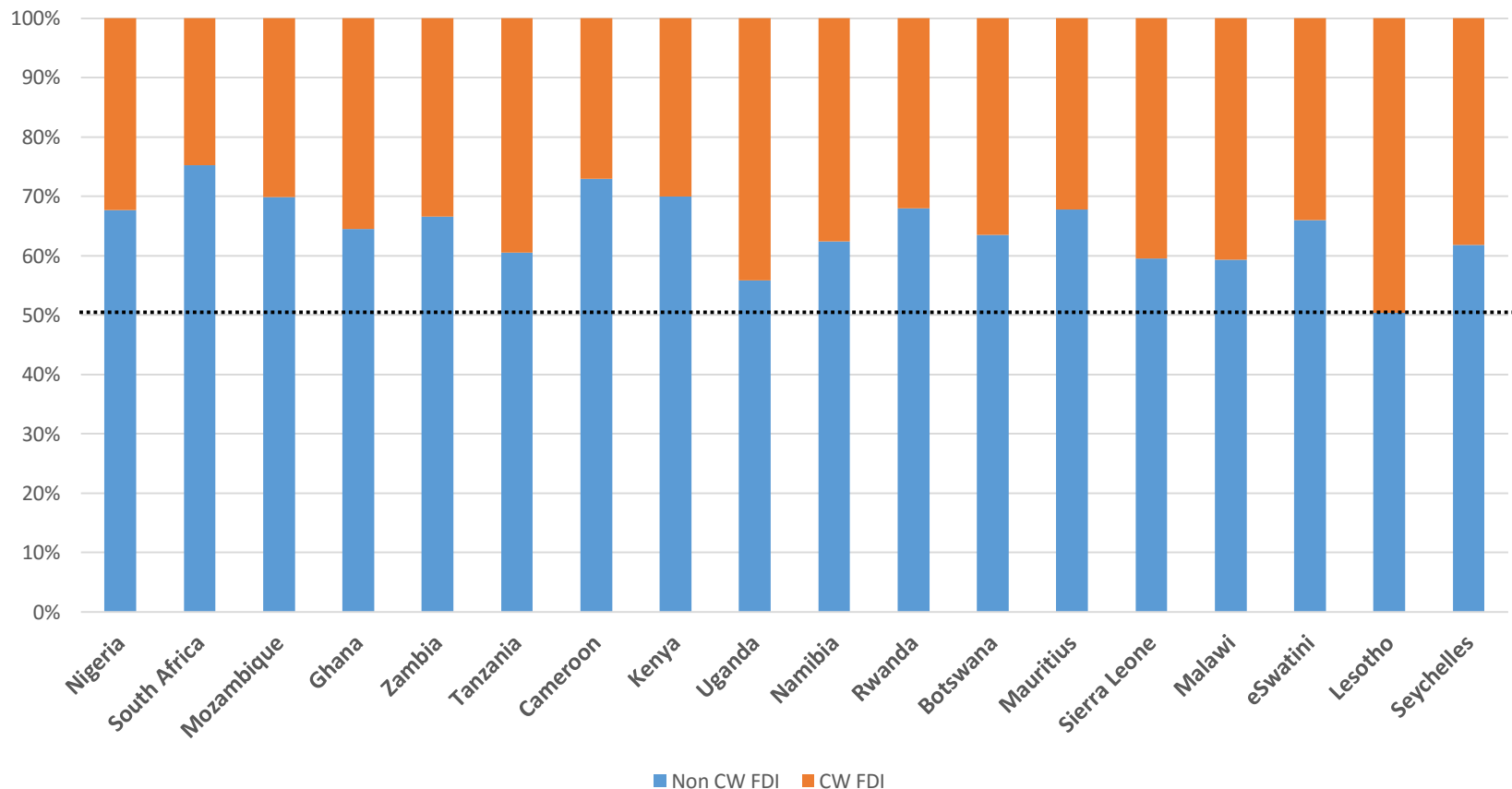
Cumulative intra-Commonwealth greenfield FDI into Africa was US\$195bn in 2,224 projects that created 368,303 jobs*



* Excluding The Gambia (no data)

Cumulative global greenfield FDI was US\$416bn in 5,131 projects that created 829,405 jobs; intra-CW FDI contributed about half of stock

Cumulative global FDI inflows into Africa, 2003-16 (US\$ million)



Part 2: The Commonwealth in multilateral and regional trade



The Commonwealth

The Commonwealth and its members remain at the forefront of global advocacy to promote free trade in a transparent, inclusive, fair and open rules-based multilateral trading system.



TABLE 2.1
COMMONWEALTH TRADE MEASURES (AVERAGE) SINCE 2008

Implementing jurisdiction	Affected jurisdiction	Green ^a	Amber ^b	Red ^c
Commonwealth	Non-Commonwealth	63	15	91
Commonwealth	Commonwealth	49	11	67
Commonwealth	All	57	14	81
Non-Commonwealth	Non-Commonwealth	211	31	324
Non-Commonwealth	Commonwealth	154	22	214
Non-Commonwealth	All	197	28	296
All	Non-Commonwealth	525	85	794
All	Commonwealth	203	31	278
All	All	249	40	370

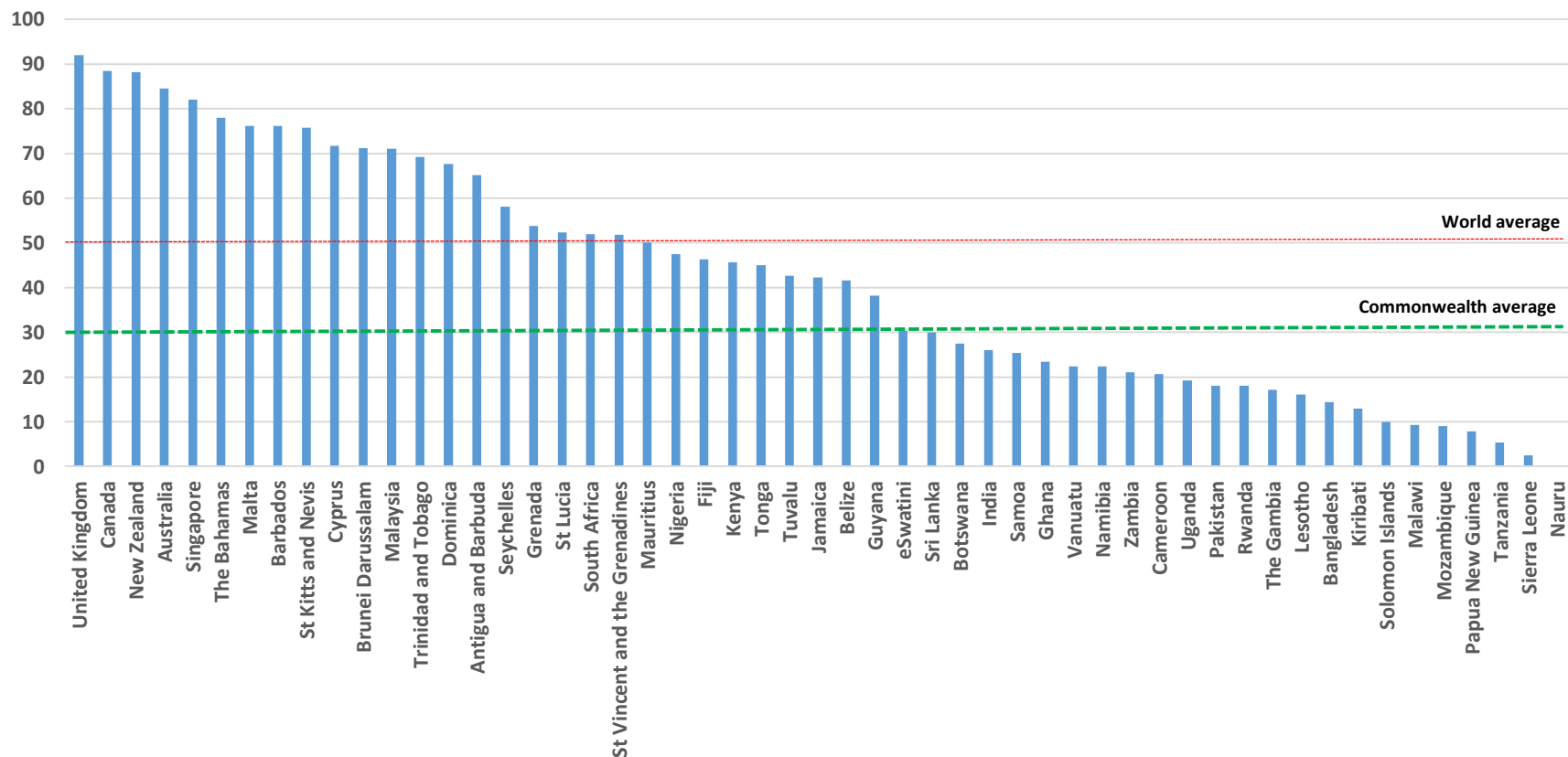
Part 3: Harnessing digitisation for Commonwealth trade, investment and prosperity



The Commonwealth

Most African member states have levels of internet access below the global average (per capita); Seychelles and SA lead in access

Proportion of the population with access to the internet, by country, 2015 (%)



Increasing broadband coverage can boost Commonwealth GDP by \$1 trillion AND ...

African members' GDP by US\$131 billion - US\$186 billion

Commonwealth Caribbean member country	Estimated GDP increase (US\$ million)			
	Scenario I: 50% BB	Scenario II: 75% BB	Scenario III: 100% BB (US\$186 billion)	Scenario IV: <50% double BB and 100% BB if >50% (US\$131 billion)
Seychelles	-	77	191	191
South Africa	-	21,709	45,222	45,222
Nigeria	3,305	35,610	67,915	61,306
Botswana	1,096	2,315	3,533	1,340
Kenya	985	6,610	12,234	10,265
Sierra Leone	556	849	1,141	29

Leveraging economic opportunities from digital trade

Digital trade in the Commonwealth in 2015



Improvements in digitisation, infrastructure, logistics and regulation can trigger further opportunities

Source: UNCTAD estimates

TABLE 3.3
B2C E-COMMERCE SALES IN COMMONWEALTH COUNTRIES, 2015

Country	B2C e-commerce, 2015		Online shoppers, 2015	
	US\$ billion	% of GDP	Million	% of population
United Kingdom ^a	199.8	7.0	39.4	60
India ^b	19.6	0.9	28.2	2
Canada ^c	47.9	3.1	13.5	37
Australia ^d	27.8	2.1	9.7	40
Singapore ^e	2.7	0.9	2.2	40
Malaysia ^f	1.5	0.5	2.6	8
Six above	299.3	3.5	95.6	6
Estimate for the Commonwealth	354.0	3.5	144.0	6

BUT...

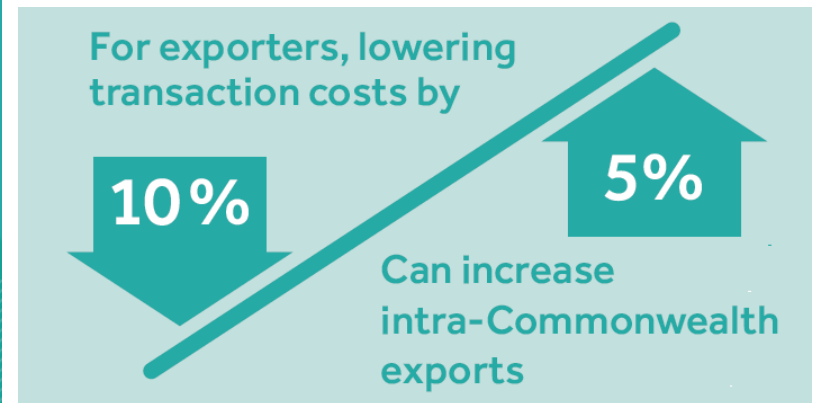
6 countries account for 85% of B2C sales

47 countries account for only US\$54.7 billion of B2C sales

Tackling the *double digital divide* affecting women – the gender gap in mobile phone ownership most pronounced in South Asia

Part 4: Deepening the Commonwealth advantage through 21st-century trade governance

Familiar legal/administrative systems based on the Common Law help explain the Commonwealth Advantage; and improvements in trade governance can help increase intra-Commonwealth exports



Recommendations:

Boosting Commonwealth trade and investment

What proactive measures are possible?

1. Strengthening trade governance to reduce trade costs further: trade logistics, trade facilitation, NTBs, domestic reforms.
2. Harnessing new technologies, including for e-commerce, fintech and transforming trade and productive capacities.
3. Identifying opportunities from the digital, blue and green economies.
4. Utilising the opportunities to develop regional supply chains in sectors where Commonwealth regions have comparative advantages.
5. Exploiting the potential of strong and diverse diasporas to catalyse innovation and investment and to bridge into new markets.
6. Making use of the Commonwealth as a platform for establishing and strengthening contacts between traders and investors, including MSMEs and women and young entrepreneurs.
7. Strengthening regional integration (i.e. CW RTAs are export-enhancing).
8. Deepen cooperation through pan-Commonwealth initiatives, such as the Connectivity Agenda adopted at CHOGM.

Thank you

Dr. Brendan Vickers

Economic Adviser, International Trade Policy
Commonwealth Secretariat
London

b.vickers@commonwealth.int



The Commonwealth