



**Written evidence for the APPG on Trade out of Poverty on the role of the Commonwealth**

**Submitted by the Royal Commonwealth Society – 10<sup>th</sup> November 2017**

**Executive Summary**

- The strongest ‘Commonwealth advantage’ which makes intra-Commonwealth trade, business and investment easier are shared language, similar legal and political systems, and common values.
- Developing Commonwealth economies are generally more competitive than non-Commonwealth equivalents, but also display generally higher levels of income inequality. This suggests more needs to be done to integrate the poorest into the global trading system, to stimulate inclusive and balanced growth.
- Challenges to trade and poverty relief include: climate change and extreme weather, particularly in small island developing states (SIDS); social discrimination; and visa restrictions that limit access for tourists and businesspeople across the Commonwealth.
- The Commonwealth Secretariat and the broad network of Commonwealth-affiliated civil society groups already undertake an array of business- and development-focused activities that seek to stimulate trade and economic development. There is a particular focus on female and youth entrepreneurship, and small- and medium-sized enterprises (SMEs).
- The Commonwealth is best placed to promote a consensus-led approach to enhancing multilateral trading relations and breaking down barriers to trade, institutionalised through support for government policies for inclusive growth. This will lead to a second Commonwealth role in boosting and scaling up people to people connections that utilise the ‘Commonwealth affect’ and promote business, skills development, trade, entrepreneurship and investment.

**Introduction – Commonwealth competitiveness and inclusivity**

1. The Commonwealth of Nations as a multi-tiered network has the potential to greatly increase trade, investment and entrepreneurship opportunities for its citizens. The modern Commonwealth network is best thought of as operating at three levels: a collection of member states with multi-lateral and bilateral connections; a set of intergovernmental institutions; and 2.3bn Commonwealth citizens capable of building on Commonwealth strands of identity and commonality to connect, organise and collaborate economically, socially and politically.
2. Commonalities of language, similar legal systems, a general commitment to parliamentary - democracy, and long-established cultural and diaspora connections make connecting at all three levels easier between Commonwealth countries than non-Commonwealth countries. These commonalities are not always quantifiable and sit alongside a whole host of other regional, ethnic, religious and geostrategic identities and connections. However, recent research by the Commonwealth Secretariat has shown that Commonwealth commonalities create a ‘Commonwealth effect’ that result in average bilateral trade costs between Commonwealth partners are 19 per cent lower compared with those for other country pairs.<sup>1</sup>

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<sup>1</sup> Commonwealth Secretariat (2015), ‘The Commonwealth in the Unfolding Global Trade Landscape’



3. The diversity and geographical expanse of the Commonwealth makes it an unlikely monolithic trading bloc. Regional configurations in many cases make more natural bases for economic integration and common trade policies and agreements.
4. The focus of policies and programmes should build on Commonwealth commonalities and ties and seek to enhance Commonwealth connections between people. This can directly support connections which expand business, trade, investment and entrepreneurship as well as reinforcing cultural, diplomatic, political and sporting ties which indirectly support economic development through building further connections and trust.

### **Commonwealth economic competitiveness and income inequality**

5. Using World Economic Forum measures of competitiveness, Commonwealth countries, on average, score lower than non-Commonwealth countries (3.92 compared to 4.2). However this masks interesting regional and developmental variations. Low-income Commonwealth nations are generally more competitive than non-Commonwealth states (3.66 to 3.36), as are Commonwealth African members (3.65 to 3.49). Five of the seven most competitive African nations are Commonwealth members. Similarly, Commonwealth SIDS significantly outperform non-Commonwealth counterparts (4 to 3.58).<sup>2</sup> This suggests there is a benefit to developing countries for being in the Commonwealth. The Commonwealth must provide greater assistance in strengthening this 'Commonwealth advantage' and encouraging best practice within states.
6. However, economic competitiveness does not necessarily result in poverty alleviation or reduced inequality. The Commonwealth displays higher levels of income inequality, measured using the Gini coefficient, than non-Commonwealth nations.<sup>3</sup> This suggests that higher levels of trade competitiveness in Commonwealth developing countries are not translating into reductions in poverty. The Southern African Commonwealth nations of Lesotho, South Africa, Botswana, Namibia, Zambia and Swaziland all feature in the World Bank's top 20 most unequal countries.<sup>4</sup> As a result there is a need for the Commonwealth to place a greater focus on inclusive growth by targeting the poorest Commonwealth citizens with the support they need to join competitive global supply chains, rather than being crushed by them.

### **Challenges to harnessing trade and investment tools**

#### ***Climate Change***

7. Climate change presents an unprecedented threat to global trade and prosperity, and the Commonwealth is already a committed voice for global action on carbon emissions<sup>5</sup>. International cooperation to dramatically cut emissions in the developed world and ensure developing nations are supported in making a low-carbon industrial transition must be at the forefront of any 'trade out of poverty' agenda.
8. Climate change is particularly prescient in the Commonwealth, where 25 members are SIDS. These states are threatened by rising sea levels and the increasing frequency and strength of extreme weather events, as this year's Caribbean hurricane season has demonstrated. OECD rules have been criticised for preventing humanitarian relief to hurricane-affected islands to be

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<sup>2</sup> Royal Commonwealth Society, 'Commonwealth Compared 2013' (p.7)

<sup>3</sup> Royal Commonwealth Society, 'Commonwealth Compared 2013' (p.7)

<sup>4</sup> World Bank (2017), 'World Bank GINI index'

<sup>5</sup> Commonwealth Secretariat (2015), 'Commonwealth Leaders' Statement on Climate Action'.



counted as Official Development Assistance (ODA) if they are deemed too wealthy. HE Karen-Mae Hill, High Commission for Antigua and Barbuda has described climate change as creating a “middle-income trap” for SIDS, by preventing them from developing further due to vicious cycle of destruction and reconstruction.<sup>6</sup> Building the resilience of SIDS to extreme weather must be central to ensuring they can continue to lift people out poverty even under the growing threat of climate change. Key to this will be ensuring trade policies and economic infrastructure are weather resistant, to ensure speedy recovery from storms.

### Discrimination

9. The connection between discrimination and lower economic activity is clear; victims of discrimination are less likely to access education and opportunities, resulting in lower earnings, higher levels of poverty, and poorer health. This damages not just the individual but society more broadly. Challenging social discrimination that blocks opportunities for work and entrepreneurship for women is central to Sustainable Development Goal 5 on gender inequality. A study into the economic cost of LGBT discrimination in India by the World Bank suggests an estimated loss to GDP of between 0.1 and 1.7%.<sup>7</sup>
10. There is a growing trend for utilising trade policy to tackle discrimination, creating a powerful motivation for change. The European Union, for example, holds the decriminalisation of consensual same-sex activity as a mandatory requirement for joining the European Single Market.<sup>8</sup> Integrating these considerations into future trade agreements could give a huge boost to ending social marginalisation and boosting inclusive growth.
11. There has often been an assumption that trade agreements are gender blind, but in reality they often negatively impact women. Policies that promote large scale agriculture, for example, often crowd out small-scale farmers, who are often women.<sup>9</sup> Future trade agreements between countries could do far more to tackle policies that have the potential to amplify existing social inequalities within Commonwealth societies.

### Visas and Migration

12. Recent trade liberalisation has seen the relaxation of barriers to the free movement of goods and services in many parts of the Commonwealth. However, the movement of people in the Commonwealth has faced greater restriction, particularly between developed and developing members. Clearly, in many cases sensible controls on movement are important for security. However, controls on movement remain a key barrier to enhancing inclusive Commonwealth trade that require revisiting. Striking a fine balance between security and economic considerations is essential for enhancing Commonwealth trade.
13. Despite the vastly differing economic, geographic and social diversity that exists across the Commonwealth, tourism represents a major source of income, job-creation and economic growth in virtually all Commonwealth countries. In 2011, tourism contributed 2.7% of the Commonwealth’s total GDP, averaging 6.7% per country, and employed 34 million people.<sup>10</sup> The

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<sup>6</sup> Speaking at the Round-Table Conference ‘The UK and the Commonwealth Summit 2018’ (20.10.2017)

<sup>7</sup> <http://www.worldbank.org/content/dam/Worldbank/document/SAR/economic-costs-homophobia-lgbt-exclusion-india.pdf>

<sup>8</sup> See: <http://www.europarl.europa.eu/EPRS/EPRS-Briefing-557011-Rights-LGBTI-people-EU-FINAL.pdf>

<sup>9</sup> See UNCTAD: <http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1588>

<sup>10</sup> World Travel and Tourism Council (2011)



highest contributions to national GDP are in the Commonwealth's small island developing states, with the largest contributions in the Maldives (28%), the Seychelles (24%), Vanuatu (20%), and Antigua and Barbuda (17.4%).<sup>11</sup> Access barriers posed by visa restrictions continue to undermine efforts to enhance Commonwealth tourism.

14. The idea of a Commonwealth-wide approach to visas is largely unfeasible due to the vastly differing economic and security landscapes across the Commonwealth.<sup>12</sup> Nevertheless, there is a clear role for the Commonwealth in spearheading a regional approach to reducing movement barriers, led by Commonwealth nations. Rwanda, for example, now offers visa-free access to all African Union members.<sup>13</sup> Liberalisation between global blocs could be led by the Commonwealth, for example through reciprocal visa agreements between regional blocs like ECOWAS and CARICOM. There has also been interest among small states for allowing visa holders of trusted states to enter using those third-country visas; Barbados has shown an interest in allowing access for Schengen, UK, or Canadian visa-holders.<sup>14</sup> The introduction of a joint East Africa tourism visa between Kenya, Uganda and Rwanda is another innovative initiative that deserves further examination.
15. Visitor visas go beyond supporting tourism. They also facilitate international business meetings that forge greater trade connections between Commonwealth states. The RCS has been spearheading a campaign to reduce visa barriers between the UK and several other Commonwealth nations. Using the model of a successful visa pilot for Chinese visitors, we are urging the UK government to expand the offering of a two-year multiple entry visitor visa to Indian nationals for the same cost as a single entry six month visa. This campaign could bring serious trade benefits to the Commonwealth, by easing business travel between India and the UK that will in turn lead to the job-creation that is key to poverty reduction. Central to the campaign is finding ways to work within existing security constraints that ease travel between member states; for frequent business and diaspora travellers this means not having to repeatedly reapply for visas. This could provide a framework for assisting ease-of-travel between Commonwealth developed and the developing economies.
16. The APEC Business Travel Card is one model that could be of interest to the Commonwealth. The card is valid for three years, allowing multiple short entries for a maximum of 59 days, and issued to senior businesspeople by authorities in their home country before they are further vetted by other members. APEC estimates the system reduces the cost of travel for business by 38%.<sup>15</sup> The Commonwealth nations of Australia, Brunei, Malaysia, New Zealand, Papua New Guinea, and Singapore are already members, in addition to other non-Commonwealth countries. Being a less economically developed country is not a barrier to membership; Papua New Guinea, for example, has a GDP per capita of less than \$2500.
17. Given the strong presence of Commonwealth members within the scheme, it has been proposed that the Commonwealth could take a leading role in pursuing access for further Commonwealth states within the scheme, or conduct a feasibility study for a similar scheme among Commonwealth members, whether pan-Commonwealth or regionally.<sup>16</sup>

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<sup>11</sup> World Travel and Tourism Council (2011)

<sup>12</sup> Ramphal Institute (2013), 'Facilitating Border Crossings: A Commonwealth of People', (pp.5-6)

<sup>13</sup> Ramphal Institute (2013), 'Facilitating Border Crossings: A Commonwealth of People', (pp.7)

<sup>14</sup> Ramphal Institute (2013), 'Facilitating Border Crossings: A Commonwealth of People', (pp.11)

<sup>15</sup> Ramphal Institute (2013), 'Facilitating Border Crossings: A Commonwealth of People', (p.9)

<sup>16</sup> Ramphal Institute (2013), 'Facilitating Border Crossings: A Commonwealth of People', (p.9)



18. It is important that visa policy also considers the cultural and soft power connections of ease of movement for both tourists and family members of diaspora groups as a method for underpinning trust between nations.

**What programmes and initiatives do Commonwealth groups and members currently offer to promote sustainable trade and investment.**

19. Bilateral, multilateral and people-to-people connections are already used across all levels of the Commonwealth to promote trade, economic development, investment and entrepreneurship.
20. The Secretariat's Trade, Oceans and Natural Resources Directorate assists member countries in improving their trade competitiveness in global markets. Success stories include a feasibility study for a new dry docking facility on behalf of the government of Jamaica, who are now seeking international finance for the initiative. The Secretariat trade team is also facilitating a new network of SMEs across the Commonwealth to connect them to the Indian supply chain.
21. Promoting prosperity through entrepreneurship and SMEs is a big focus for Commonwealth organisations. Made up of government and business members, the Commonwealth Enterprise and Investment Council (CWEIC) has launched its Commonwealth First initiative, supported by the Royal Mail. This exciting programme supports Commonwealth Export Champions in getting their products to Commonwealth markets. The ambition is to expand to include SMEs from across the Commonwealth. The 2015 Commonwealth Business Forum in Malta saw a 1300 strong attendance by delegates from 75 countries, and was addressed by no less than 15 Heads of Government and 180 leaders from the Government and private sector.
22. Focal points for supporting business from the Commonwealth also happen across regional networks. The Birmingham Commonwealth Association (part of The Royal Commonwealth Society's network of branches and associated organisations) will host its own trade conference in November. This initiative will provide insights for UK businesses in the Midlands wishing to increase business links with key Commonwealth partners like India, Malta and Jamaica.
23. The Commonwealth is also home to four regional Commonwealth Alliances of Young Entrepreneurs. One of the most active is the Asia branch, a network of young business leaders who are committed to promoting Young Entrepreneurship in the eight Asian Commonwealth countries, plus Nepal. Only established in 2011, CAYE-Asia is already engaging with governments, the private sector, the media and other stakeholders to champion the cause of young entrepreneurship from a local level all the way up to the international stage. Meanwhile, Southern Africa branch recently co-hosted the 'I am an Entrepreneur' event in Malawi. The conference aimed to build legal and market knowledge among SMEs and prospective entrepreneurs in the region.
24. The Commonwealth Business Women's Network (CBWN) is a membership organisation working to encourage, enable and embed women in leadership and women's economic empowerment through trade, talent and training (the '3Ts'). It is currently working on an e-platform for connecting, collaborating and encouraging commerce for women in business and is collaborating on an international, gender-sensitive MBA with the Commonwealth of Learning.
25. The Commonwealth Youth Council, Commonwealth Youth Gender and Equality Network, Commonwealth Secretariat and Rotary International have partnered on a pilot mentorship scheme for young women in the Commonwealth, across politics, diplomacy, business and activism. Young women have already credited this mentorship with assisting them in accessing jobs and entrepreneurship opportunities.



26. All of these examples are comparatively small scale. This is partly due to the relevance of the Commonwealth brand. Many initiatives from trade or visa relations at the bilateral level to similar mentorship, investment or training schemes may well be large scale and draw on commonwealth connections without recognising and branding them. Misperceptions about the Commonwealth in the 21<sup>st</sup> century can sometimes turn people off Commonwealth initiatives. In a 2010 Royal Commonwealth Society survey of opinion leaders, when asked 'What does the Commonwealth mean to you?' the most common answers were: empire or colonialism; history; friendship, collaboration or warmth; and Britain.<sup>17</sup>
27. All these business and entrepreneurship initiatives would benefit from an increased analysis of the links to poverty reduction. Where they are found to be beneficial scaling up to reach more people would be easy and sensible.

**What is the commonwealth best placed to do to promote prosperity?**

28. This submission has articulated a number of existing connections which focus on the links between people that are made easier by Commonwealth commonalities and can be utilised for greater trade, investment and entrepreneurship. This paper has also addressed some of the challenges which impact economic development and intra-commonwealth business. There are two broad roles for the Commonwealth to play:
29. Commonwealth multilateral support, bilateral technical assistance, and policy should address Commonwealth barriers to trade: constrained visa regimes; the causes and impacts of climate change; and discriminatory barriers to entrepreneurship and employment. Member governments can do this by building consensus on the environment, values and openness. They must also assist in the building of inclusive institutions and policies that support a productive business environment, such as the strong rule of law and legal institutions, democratic governance, rights-protecting legislation and effective trade policy.
30. The second area of focus should be initiatives which use Commonwealth connections to build on this enabling environment. Mentorship schemes, SME and supply-chain networks, and training courses which are made easier by common language, similar legal environments for business, and cultural connections, are good examples of initiatives which could be scaled up with a distinct Commonwealth stamp.
31. Ultimately if Commonwealth government policy making and assistance can support the institutional environment for enhanced trade and economic development then people-to-people initiatives will prosper and make economic relations a reality. The 'Commonwealth effect' makes both of these roles easier for citizens and governments.
32. At present, Commonwealth discussions on trade, business and entrepreneurship rarely have a poverty reduction focus or poverty reduction is assumed. There are a number of initiatives which include a focus on environmental sustainability, gender equality and youth empowerment. However, poverty reduction should become a key component of how success is defined for any new Commonwealth initiative, policy or trade deal which builds on the Commonwealth effect.

**Briefing compiled by Lewis Brooks and Rory Evans**

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<sup>17</sup> The Royal Commonwealth Society (2010), The Commonwealth Conversation, p 11.