The Potential Impact of COVID-19 on Commonwealth Trade, Recovery and Resilience

Hubert Escaith, Sangeeta Khorana, James MacGregor, Brendan Vickers and Salamat Ali

1. Introduction

The COVID-19 pandemic is having an unprecedented impact on global economies, businesses, governments and society. There are now more than ten million coronavirus cases globally and over 500,000 deaths. While it is too early to comprehend the full economic implications, especially given the uncertainties surrounding the duration of the outbreak and the risk of a second wave of infection, as well as progress on the development of a vaccine, few question the scale of the challenge ahead.

The International Monetary Fund (IMF) projects global gross domestic product (GDP) to decline by 4.9 per cent in 2020 (lower than the 3 per cent fall it predicted in April 2020), with advanced economies estimated to lose by as much as 8 per cent (IMF, 2020b). The poor outlook for the global economy means only 39 countries out of 190 are expected to have positive GDP growth in 2020 (and none of them will record a growth rate above 2 per cent) (IMF, 2020a). To put this into perspective, at the peak of the global financial crisis just over 100 countries had registered positive growth.

Global trade is taking a significant hit. The World Trade Organization (WTO) has projected a 12–32 per cent fall in merchandise trade alone, depending on whether the recovery takes a V-shape or an L-shape (WTO, 2020a). Political tensions are escalating trade disputes between the USA and China (and now the USA and the EU). Furthermore, the pandemic is perpetuating an ongoing economic slowdown in China and India, while the proliferation of trade-restrictive measures – including food and medical supplies (Baldwin and Evenett, 2020) – is further depressing the outlook for world trade growth. This widespread downturn means 2011–2020 will be a ‘lost decade’ for global trade at a time when trade is an important means of implementation to achieve the Sustainable Development Goals (SDGs), especially for the world’s poorest countries. COVID-19 may also impair the preparations of least developed countries (LDCs) that are graduating from this category, as well as those to be considered for graduation next year (UNCDP, 2020).

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2 Center for Systems Science and Engineering at Johns Hopkins University COVID-19 Dashboard: https://coronavirus.jhu.edu/map.html
COVID-19 has had impacts on trade through both supply and demand shocks. Quarantines, lockdowns, social distancing and high levels of uncertainty have caused a significant drop in demand for goods and services, with global value chains (GVCs) transmitting the economic shock to upstream supplier countries. In one estimate, disruptions to the three major GVC hubs – China, the EU and the USA - could result in a US$228 billion decrease in exports across GVCs (Solleder, 2020). Moreover, the policy discourse is shifting from offshoring to localisation of GVCs for some vital sectors.

The coronavirus is spreading rapidly in South Asia, Latin America and parts of Africa, while some advanced economies and developing countries, where the virus has already peaked, are grappling with new outbreaks. In many countries, attention is now turning to the post-COVID economic recovery. As countries around the world start relaxing their lockdown measures, many industries and supply chains may seek a quick return to ‘business as usual’. This could involve swiftly trading environmental and social improvements in return for the promise of a strong economic rebound. Yet for many countries business as usual was socially and environmentally harmful, inefficient and inequitable even before the pandemic. There is therefore a persuasive argument that recovery from the COVID-19 pandemic must be based on long-term planning for an inclusive and prosperous strategy that takes all aspects of economic, social and environmental sustainability into account.

This issue of Trade Hot Topics provides a brief overview of how the COVID-19 pandemic may affect economic activity in the Commonwealth. Bearing these impacts in mind, including the contagion effect on Commonwealth supply chains, we propose a unique framework to understand how a sustainable recovery could unfold over three stages. We conclude with some measures that can be considered to support growth, recovery and resilience.

### 2. The impact of COVID-19 across countries and industries

Using Commonwealth countries’ input-output (IO) data, we develop a model to analyse the impact of COVID-19 on economic activity in Commonwealth member countries. The model draws on economic forecasts by multilateral and regional organisations, such as the Asian Development Bank, IMF, the

<table>
<thead>
<tr>
<th>Industry</th>
<th>Intensity of impact</th>
<th>Industry</th>
<th>Intensity of impact</th>
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</thead>
<tbody>
<tr>
<td>Public Administration</td>
<td>Low</td>
<td>Electrical and Machinery</td>
<td>High</td>
</tr>
<tr>
<td>Education, Health and Other Services</td>
<td>Low</td>
<td>Hotels and Restaurants</td>
<td>High</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>Low</td>
<td>Maintenance and Repair</td>
<td>High</td>
</tr>
<tr>
<td>Private Households</td>
<td>Low</td>
<td>Metal Products</td>
<td>High</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Low-medium</td>
<td>Other Manufacturing</td>
<td>High</td>
</tr>
<tr>
<td>Fishing</td>
<td>Low-medium</td>
<td>Petroleum, Chemical and Non-Metallic Mineral Products</td>
<td>High</td>
</tr>
<tr>
<td>Construction</td>
<td>Medium</td>
<td>Recycling</td>
<td>High</td>
</tr>
<tr>
<td>Financial Intermediation and Business Activities</td>
<td>Medium</td>
<td>Re-export and Re-import</td>
<td>High</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>Medium</td>
<td>Retail Trade</td>
<td>High</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>Medium</td>
<td>Textiles and Wearing Apparel</td>
<td>High</td>
</tr>
<tr>
<td>Other Services</td>
<td>Medium-high</td>
<td>Transport Equipment</td>
<td>High</td>
</tr>
<tr>
<td>Post and Telecommunications</td>
<td>Medium-High</td>
<td>Wholesale Trade</td>
<td>High</td>
</tr>
<tr>
<td>Transport</td>
<td>Medium-high</td>
<td>Wood and Paper</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations with data adapted from ILO (2020)
United Nations Department of Economic and Social Affairs (UN DESA), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the World Bank and the WTO, as to how COVID-19 could affect the global economy.

Table 1 presents the intensity of impact of COVID-19 across sectors for all Commonwealth countries. The intensity of the impact was driven by a combination of supply and demand shocks transmitted across different sectors of the economy. For instance, while sectors such as education and administration were not hit as hard - mainly because workers could work from home - retail, hotels and restaurants saw severe impacts owing to their reliance on interactive modes of delivery.

The results show that all Commonwealth members are likely to exhibit negative or marginal real growth in 2020, but the magnitude of the impact will vary (Figure 1). GDP is expected to contract in all countries. The main reasons for this include the effect of lockdown measures as well as structural factors (i.e. differences in the sectoral composition of domestic activity and the varying degree of linkage between countries through GVCs), population, composition of export and so forth.

Within the context of Commonwealth countries, the negative impact of COVID-19 is attributed to demand shocks, both direct and indirect. The direct demand shocks are attributed to declining domestic and foreign demand, which is likely to affect domestic activity adversely. The indirect demand shocks come from the decline in production as a result of the adverse impact on GVCs through the decline in trade with other partner countries. Some countries are much more affected than others. The varying impact of the pandemic in some countries suggests that the differences observed between countries have structural causes. The first is the sectoral composition of domestic activity; the second is the exposure to trade in general and GVCs trade in particular.

Table 2 presents the expected change in sectoral value-added for Commonwealth countries. The most affected sectors are textiles and apparel (-5.9 per cent) and re-import & re-export of services (-5.9 per cent). Hotels and restaurants also shows losses (-4.4 per cent), which is especially important for Commonwealth small island developing states (SIDS) that rely on tourism. The results are in line with the WTO (2020a), which suggests that the shutdown of the transport sector will affect merchandise trade whereas travel restrictions will have severe impacts on tourism.

3 The resulting estimates do not take into consideration additional financial shocks that may result in the balance of payments constraints that may come from declines in a main source of hard currency, such as oil and tourism exports or workers’ remittances.

Figure 1: COVID-19 and expected economic growth in 2020 (% y-o-y variation)

Note: Consensus real growth estimate based on an average of multilateral and regional organisations’ forecasts, and IO model simulations for countries where data is available. Guyana is excluded because it is an outlier.

Source: Authors’ elaboration
Here we examine the effects of GVCs in intermediate products and simulate the impact for Commonwealth countries where the foreign demand (exports of final products) is affected (Box 1). The results show that the COVID-19 supply chain contagion has implications for Commonwealth countries’ national incomes. The export shocks affect industrial value-added (i.e. workers and owners’ remuneration) and this in turn affects domestic demand. Given the evolving downward projections for global GDP and trade, we simulate two scenarios: ‘consensus’ and ‘worst’. These scenarios are based on real growth estimates that draw on economic forecasts by multilateral and regional organisations in mid-April 2020.

The main results are as follows:

The consensus scenario (based on average of economic forecasts) estimates show a negative impact on all Commonwealth economies. This is in line with the WTO (2020) predictions that estimate a decline in merchandise trade in the range of 13-32 per cent in 2020.

### Table 2: Potential impact of COVID-19 on growth in Commonwealth in 2020, by industry (%)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Mean growth</th>
<th>Industry</th>
<th>Mean growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles and Wearing Apparel</td>
<td>-5.9</td>
<td>Food and Beverages</td>
<td>-3.4</td>
</tr>
<tr>
<td>Re-export and Re-import</td>
<td>-5.9</td>
<td>Wood and Paper</td>
<td>-3.4</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td>-4.6</td>
<td>Other Services</td>
<td>-3.3</td>
</tr>
<tr>
<td>Recycling</td>
<td>-4.5</td>
<td>Mining and Quarrying</td>
<td>-3.3</td>
</tr>
<tr>
<td>Hotels and Restaurants</td>
<td>-4.4</td>
<td>Fishing</td>
<td>-3.3</td>
</tr>
<tr>
<td>Electrical and Machinery</td>
<td>-4.4</td>
<td>Agriculture</td>
<td>-3.2</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>-4.3</td>
<td>Post and Telecommunications</td>
<td>-3.1</td>
</tr>
<tr>
<td>Maintenance and Repair</td>
<td>-4.2</td>
<td>Financial Intermediation and Business Activities</td>
<td>-2.8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-4.1</td>
<td>Construction</td>
<td>-2.6</td>
</tr>
<tr>
<td>Metal Products</td>
<td>-3.8</td>
<td>Electricity, Gas and Water</td>
<td>-2.2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-3.7</td>
<td>Private Households</td>
<td>-1.3</td>
</tr>
<tr>
<td>Transport</td>
<td>-3.6</td>
<td>Education, Health and Other Services</td>
<td>-0.7</td>
</tr>
<tr>
<td>Petroleum, Chemical and Mineral Products</td>
<td>-3.6</td>
<td>Public Administration</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

*Note: Based on the consensus forecast.*

*Source: Authors’ elaboration*

### Box 1: Methodology

To examine the exposure of Commonwealth countries to trade, we simulate a situation whereby only foreign demand (exports of final products) is affected while domestic demand remains constant. The final demand by the non-Commonwealth countries is modelled as in the previous simulation, which include the impact on both domestic and external demand. The results show, for each Commonwealth economy, the direct impact of lower external demand and the indirect impact of the lower economic activity, which reduces the demand for intermediate inputs required by firms. In this manner, the simulation makes it possible to factor in the effects of the recession on international supply chains. Finally, the lower economic activity affects household income (i.e. workers and owners’ remuneration) and this in turn affects domestic demand.

In the worst case scenario, simulations show that overall trade will reduce GDP growth by 5 percentage points in 2020, and in some cases by 10 per cent. Countries that are well integrated in...
GVCs, such as Singapore and Malaysia, will be hit the hardest. South Africa is deeply imbedded in African regional supply chains and this may lead to high exposure. Both developed and developing Commonwealth countries will bear the brunt – Canada and the UK, where domestic demand is the main driver of growth, will be adversely affected. Similarly, Bangladesh is likely to be affected by the external demand and supply shocks, given it is an exporter of ready-made garments.

### 4. Trade resilience and the Commonwealth Advantage

The impact of COVID-19 on trade flows in 2020 is evident in recent WTO’s estimates that indicate a drop in the volume of merchandise trade by 3 per cent year-on-year in the first quarter of the year and around 18.5 per cent in the second quarter (WTO, 2020b). This has significant implications for Commonwealth countries as around 70 per cent of their total trade is in goods. The share of merchandise trade is even higher for African (80 per cent) and the Pacific members (83 per cent).

While the overall outlook for world trade growth, including for Commonwealth countries, is subdued, there is some room for optimism in the case of rising Commonwealth trade and investment flows. In the post-financial crisis period (2010-2018), Commonwealth exports of goods and services grew at a faster rate than the world average. During this period, the Commonwealth’s exports in goods grew by around 8 per cent, compared with only 5.5 per cent for the world. The IMF (2020a) forecasts that 13 Commonwealth developing countries will have a positive growth rate in 2020, despite the disruption in economic activity owing to the ‘great lockdown’.

Besides merchandise trade, the growth of services exports from the Commonwealth was particularly robust. Services exports increased at a rate of 8.8 per cent compared with 5.6 per cent for the rest of the world. In fact, during the global trade slowdown of 2012–2016, the Commonwealth’s services exports were especially resilient, expanding by 7 per cent year-on-year, on average - more than twice the growth rate for the rest of the world. One reason for this stellar performance is the large share of trade by developing countries - mainly Asian economies like Bangladesh, India and Singapore, whose exports have increased exponentially during the past decade.

The Commonwealth is not a formal trading bloc. However, member countries share historical ties, familiar legal and administrative systems, a common language of operation (English) and large dynamic diasporas, which help make trade and investment more convenient and efficient. This ‘Commonwealth Advantage’ enables member countries to trade up to 20 per cent more with each other, while bilateral trade costs are 21 per cent lower, on average (Commonwealth Secretariat, forthcoming).

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4 Because the simulations exclude financial flows, the impact of a reduction in workers’ remittances is not taken into consideration. A collapse in these transfers will have dramatic impacts on domestic demand and poverty in most of the poorest Asian and African countries.

5 As per the IMF’s April 2020 forecast, Bangladesh, Brunei Darussalam, The Gambia, Ghana, Guyana, India, Kenya, Kiribati, Malawi, Mozambique, Rwanda, Tanzania and Uganda are expected to have positive GDP growth (IMF, 2020a).
Member countries also invest up to 27 per cent more within the Commonwealth than outside of it - almost a tripling of the Commonwealth Advantage in investment flows on estimates from five years ago, when the figure stood at 10 per cent (Commonwealth Secretariat, 2015). The investment effect is particularly strong in Africa, partly because of high levels of intra-African foreign direct investment by Commonwealth African members. These potential benefits can assist countries to prepare for the post-COVID economic recovery and building future resilience.

5. Building recovery and resilience

As countries around the world start easing lockdown measures, there is an opportunity to instil greater resilience in industries and supply chains to enable them to bounce back better. Without such measures, the recovery period could be longer, more polluting and less beneficial to economies, society and the natural environment. There is a risk of locking the future into unsustainable models that are less resilient and more exposed to future shocks, whether economic, epidemiologic or environmental.

There is considerable evidence that investments in sustainable industries improve economies and businesses. Recent campaigns by hundreds of multinational and national companies have advocated for improved sustainability criteria in any government bailouts and in domestic policies to incentivise recovery. Plus, so-called greener industries provide over three times more jobs than do traditional fossil fuel-based industries (Vetter, 2020).

A sustainable recovery could have three stages, some of which have already been set in motion around the world (Figure 4). The relaxation of Stage 1 lockdown restrictions, discussed in previous sections, is anticipated to generate two distinct yet simultaneous stages: a return to some form of ‘business as usual’ (Stage 2a) and a new set of businesses, products, services and innovations that both build on business as usual and disrupt it (Stage 2b). However, the global recovery will be uneven, and progress on the three stages will depend on how other countries are tackling the pandemic. Given the dynamic nature of global trade, investment and supply chains, the prospects for recovery in some countries will be affected by the spread of the pandemic to others, while a second wave of infection may also hamper recovery.

Stage 2a

Traditional recovery: Government focus is on rapid but stable financial and economic growth, supporting job security and creation while supporting key sectors. With a focus on commercial recovery, businesses are seeking to reduce overheads, increase efficiency and re-secure supply chains, alongside both the ongoing ramifications of the pandemic and the new health and safety guidelines for workers and customers. Societal and environmental considerations are not prioritised.
Stage 2b

Recalibrated recovery: Governments will accelerate convergence on a sustainable future, embedding equality, long-term sustainability and attendant targets, while supporting growth and innovation in key ‘bleeding edge’ sectors, such as technology, finance and health. New businesses and business units of existing companies will learn from Stages 1 and 2a, but with a focus on long-term goals. They will actively plan for Stages 3 and beyond, embedding youth, sustainability and digital innovations in fresh services, products, supply chains and priorities. Social and environmental sustainability considerations will be at the forefront, strongly integrating the upskilling of current workforces, automation and ambitious industrial, transport and liveable city strategies.

Stage 3a

Conventional stabilisation: Environmental, social and economic policies remain uncoordinated, with a government focus on short- to medium-term risks and costs. Economic growth remains a priority, with environmental and social considerations obtaining more visibility as a result of growing stakeholder demand but subject to competing pressures and market incentives. Lack of coherent, comprehensive and coordinated goals and glacial change leave the economy and society largely exposed to environmental, economic and epidemiological shocks.

Stage 3b

Resilient stabilisation: Demonstrable economic, social and environmental benefits coexist, decoupling economic development from environmental damage and growing inequality. In order to achieve this, the enabling environment requires policies, laws, standards and market mechanisms that truly support the poor and vulnerable and account for environmental benefits and disbenefits. Results are monitored and assessed for continuous improvement in a virtuous cycle of environmental, economic and societal gains, innovation, diversification and production as part of an iterative process. Economic growth will be based around these new sustainable development priorities.

6. Way forward

As many countries start easing their lockdowns, it is imperative that they strengthen their frameworks for sustainable economic development during the recovery phase and not simply revert to business-as-usual practices to grow the economy out of recession. The pause in economic activity could be used to re-engineer, strategise and plan towards objectives that are truly sustainable. Moreover, countries need to risk-proof their future prosperity by focusing on resilience to build back better, including by drawing on and harnessing sustainable approaches and circular economy principles. The post-COVID recovery is indeed an opportunity

Figure 4: Three stages of sustainable recovery

<table>
<thead>
<tr>
<th>GOVERNMENT</th>
<th>BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LOCKDOWN</td>
<td>1. LOCKDOWN</td>
</tr>
<tr>
<td>Security, stability, key work</td>
<td>Supply chains management, stay-in-business, cashflow focus, responsive to government</td>
</tr>
<tr>
<td>2A. TRADITIONAL RECOVERY</td>
<td>2A. TRADITIONAL RECOVERY</td>
</tr>
<tr>
<td>Focus on priorities: health, finance, economics (jobs, key sectors)</td>
<td>Lean, efficient, re-secure supply chains, sprint</td>
</tr>
<tr>
<td>2B. RECALIBRATED RECOVERY</td>
<td>2B. RECALIBRATED RECOVERY</td>
</tr>
<tr>
<td>Focus on incentivising innovation pursuant to new priorities: equality, inclusivity, sustainability, liveability, natural capital</td>
<td>Learn from stage 1&amp;2a, plan for stage 3 by developing new services and products focused on new societal priorities</td>
</tr>
<tr>
<td>3A. CONVENTIONAL STABILISATION</td>
<td>3A. CONVENTIONAL STABILISATION</td>
</tr>
<tr>
<td>Uncoordinated economic, social and environmental policies, focus on short to medium term risks and costs</td>
<td>Some environmental and social considerations but largely unreconciled with economic growth, which remains a priority</td>
</tr>
<tr>
<td>3B. RESILIENT STABILISATION</td>
<td>3B. RESILIENT STABILISATION</td>
</tr>
<tr>
<td>Long-term goal-focused laws, policies, standards, persistent learning, decarbonisation and inclusivity focus</td>
<td>Profitable growth, increasingly pivots around new priorities, with demonstrable economic, social and environmental benefits</td>
</tr>
</tbody>
</table>

Note: The smaller dotted arrow indicates an emerging trend during the transition from Lockdown (stage 1) to Recovery (stage 2) for a potential return to some lockdown measures for villages, cities and provinces experiencing renewed spikes in infection rates

Source: MacGregor and Pedersen (2020)
to start effectively tackling SDG12 (Sustainable production and consumption). However, this requires a whole new set of partnerships to address the challenges and harness new collaborative solutions, innovations and financing mechanisms.

Many Commonwealth developing countries confront unique challenges that may hamper a sustainable recovery. For some LDCs, more than 80 per cent of export earnings derive from commodities.6 Others, like SIDS, face inherent structural challenges related to small size and geography, depend on imports - from food to fossil fuels – and are extremely vulnerable to climate change and natural disasters. Several of these SIDS have a large share of tourism in their GDP (around 50 per cent) but this sector is not expected to recover soon until health and safety concerns are addressed. Many Commonwealth members are also heavily indebted with limited means to finance a sustainable recovery or do not qualify for international support measures despite their high levels of vulnerability.

There are also socioeconomic challenges. These include a large number of informal, high-density housing areas; poorly resourced health care systems; inadequate access to water and sanitation, which makes standard advice about social distancing and washing hands impracticable; lack of reliable data; low savings rates among low-income citizens; and existing poverty levels. In this regard, public health interventions in developing countries must be balanced with social and economic interventions, especially in relation to the informal economy on which many poor urban residents depend. Historically, informal settlements and their residents have been subjected to rules and regulations that are unaffordable or unfeasible to adhere to. And, given the often already-low income levels of these residents (coupled with low savings rates), the opportunity cost of not working is even greater.

The international community can help tackle some of the challenges for a more sustainable and resilient economic recovery. Development assistance will almost certainly be needed from the major international financial institutions to assist developing countries to recalibrate their economies. A simple financial support measure may be to offer debt relief (debt standstills, restructurings or cancellation). These resources can be directed towards pandemic funding (i.e. payments that otherwise would have gone to creditors can be used for emergency funding related to the pandemic). In April 2020, G20 leaders agreed to suspend debt repayments for 76 of the world’s poorest countries and Angola until the end of the year, while the IMF cancelled debt repayments for a smaller group of 25 countries for up to two years (Griffiths, 2020). The money freed up - US$20 billion in the case of the G20 and US$213 million for the IMF – will provide some of the necessary finance for those countries to boost health care systems and shoulder the economic fallout. To finance a more

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**Box 2: Seychelles and innovative financing for the blue economy**

Seychelles’ current and future prosperity is intrinsically linked to its marine and coastal assets. However, the 2008 financial crisis left the country with substantial debts and made it difficult to invest in the blue economy. An innovative approach to financing was required to gain the most value from Seychelles’ marine and coastal assets as part of a sustainable blue economy.

Seychelles pursued an ambitious plan to finance blue economy development through converting US$21.6 million of national debt via the world’s first blue economy debt for nature swap, and through launching the world’s first sovereign blue bond. Seychelles’ Conservation and Climate Adaptation Trust was established to competitively distribute funds from these initiatives to support the management and expansion of the Seychelles Marine Protected Areas (MPAs), sustainable fisheries and other activities that contribute to the conservation, protection and maintenance of biodiversity and adaptation to climate change.

These ongoing initiatives have been very successful amid the impact of COVID-19. With the support of The Nature Conservancy, the debt conversion has enabled the Government of Seychelles to achieve – and even exceed – its commitment to safeguard 30 per cent of its Exclusive Economic Zone through MPAs (an area the size of Germany). At the end of March, 13 new protection areas were confirmed.

*Source: Commonwealth Secretariat based on various sources*

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6 For example, all the Commonwealth African LDCs, except Lesotho, are commodity dependent. The Gambia, Malawi and Uganda rely on agricultural exports, while Mozambique, Rwanda, Sierra Leone, Tanzania and Zambia are heavily dependent on mineral, ores and metal exports (UNCTAD, 2019).
sustainable recovery, countries could also consider innovative approaches and financial products, including blue bonds, climate bonds and impact bonds, as well as debt swaps for nature. Such debt instruments can be tied to sustainability targets, helping countries build back better (Box 2).

There may also be a case to condition support for recovery on some sustainability. Governments and financial institutions are under growing pressure to make economic bailouts designed to counter the pandemic dependent on climate action and social equality in the longer term. In this way, financial stimulus can help governments and companies move away from increasingly risky fossil fuel investments and harmful working conditions in a controlled manner. While immediate economic stabilisation is the priority, such financing measures should be consistent with sustainability goals. One study estimates that only 4 per cent of G20 recovery measures can be classified as ‘green’, with potential to reduce long-run greenhouse gas (GHG) emissions (Hepburn et al., 2020).7

Given the dynamic nature of GVC networks, it is possible that a transformation of GVC activities in goods and services will lead to both greater opportunities and resilience. Discussions are ongoing on the possibility of re-shoring and diversification of supply chains as well as re-industrialisation to reduce the risk of ‘supply chain contagion’. While this is likely to be a key post-COVID strategy, it may also lead countries to diversify the sources of supply closer to home. On the one hand, this may offer new opportunities to Commonwealth developing countries as multinational enterprises reduce their dependence on ‘Factory China’; on the other, there is a risk that the pandemic could lead to policies that restrict the international flow of goods, services and people.

References


Commonwealth Secretariat (forthcoming). 2020 Commonwealth Trade Review


7 Another 4 per cent are classified as ‘brown’ and likely to increase net GHG emissions beyond the base case, and 92 per cent are ‘colourless’, meaning that they maintain the status quo.
International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 54 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.

- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.

- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITP’s most recent activities focus on assisting member states in their negotiations in the World Trade Organization and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/dialogues for facilitating exchange of ideas, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

Selected Recent Meetings/Workshops Supported by ITP

- 29 January 2020: Looking to LDC V: A Critical Reflection by the LDV IV Monitor (in partnership with the OECD Development Centre and the Centre for Policy Dialogue, Bangladesh) held at Marlborough House, London, United Kingdom.


- 11 October 2019: Tapping the Tourism Potential of Small Economies: A Transformative and Inclusive Approach (WTO Public Forum) held in Geneva, Switzerland in collaboration with the WTO and the UNWTO.

- 10 October 2019: Commonwealth Trade Ministers Meeting held at Marlborough House, London, United Kingdom.


- 28–30 May 2019: Harnessing Trade Policy for Global Integration: Commonwealth Consultation for the Asia-Pacific Region held in Singapore in collaboration with the Institute of South Asian Studies, National University of Singapore.

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