

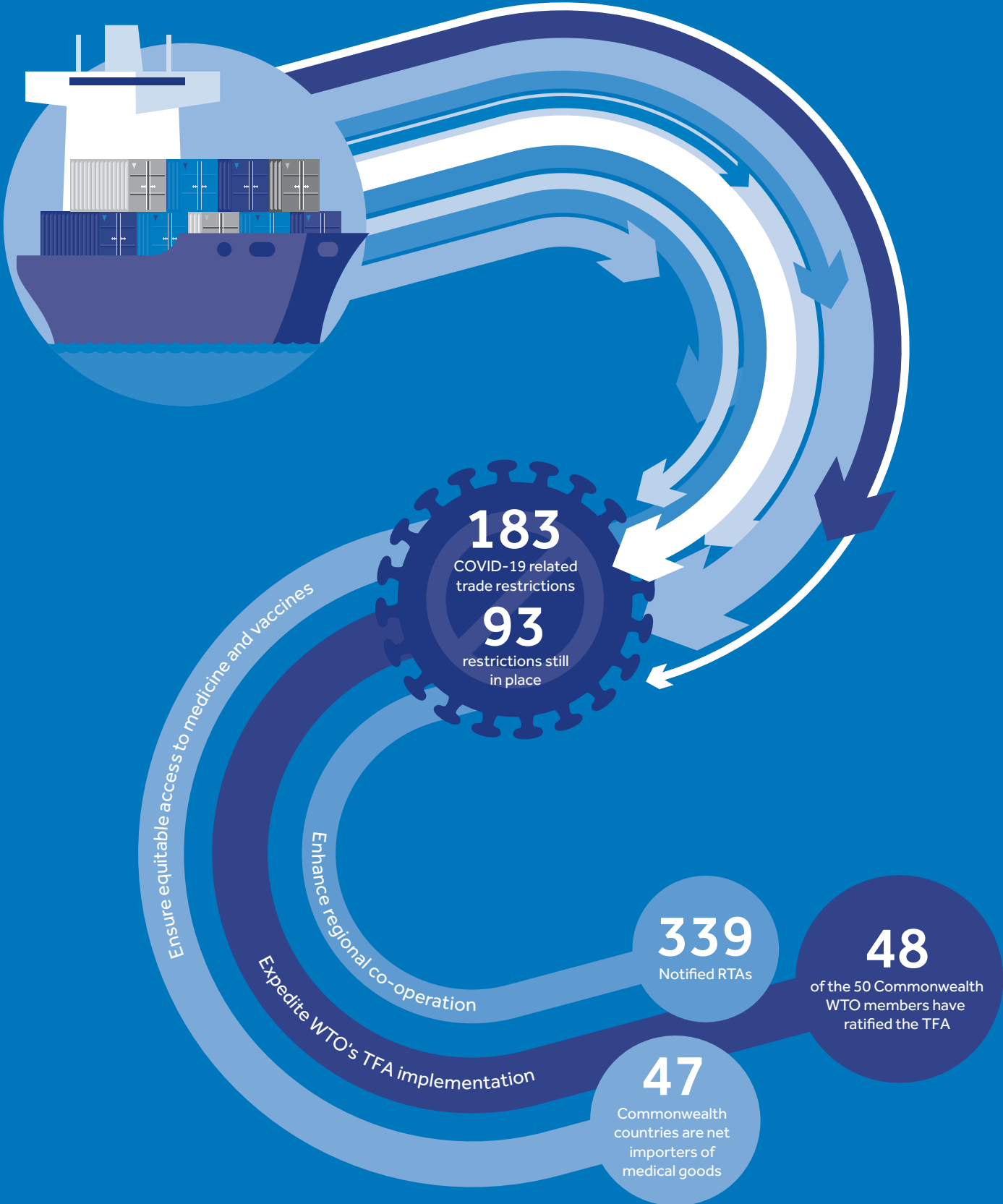
# Chapter 4: Multilateral and Regional Trade Responses to the Pandemic

The Commonwealth and its members are committed to free trade in a transparent, inclusive, fair and open rules-based multilateral trading system, which takes into account the special requirements of least developed countries and small and vulnerable economies. However, COVID-19 has affected trade multilateralism in several ways. Some World Trade Organization (WTO) members have adopted unilateral measures to restrict exports, from food to medicines and vaccines, while global logistics and supply chains have been disrupted. At the same time, global trade rules can help with ensuring access to vaccines. Regional co-operation has also enabled Commonwealth countries to sustain markets, pool resources and pursue regional responses to combat the pandemic.

This chapter examines some of the trade aspects of the global response to the pandemic, focusing specifically on multilateral developments and regional initiatives. Some of the key takeaways are:

- Several Commonwealth countries have been at the forefront of global advocacy to maintain open trade and supply chains. Countries that have implemented temporary measures to facilitate trade, like digitising paper processes, should permanently adopt these ad hoc measures.
- The pandemic has highlighted the need to strengthen the multilateral trading system to support recovery and preparedness for future crises and enhance global resilience. WTO reform initiatives should consider all members' views and voices.
- The WTO membership should strive to reconcile intellectual property rules and public health to help ensure affordable and equitable access to vaccines to help combat the pandemic and revitalise global trade.
- Regional co-operation has been critical for tackling the pandemic. Commonwealth countries can leverage regional trade agreements to build back better from the pandemic, including by developing regional value chains or developing model provisions for immediate co-operation in future crises.
- Commonwealth countries should urgently address implementation gaps in existing or new bilateral and regional trade agreements, including by adopting a whole-of-government approach and improving awareness of domestic stakeholders to benefit from the favourable preferences.

Recovery from the pandemic requires enhanced multilateral and regional co-operation to maintain supply chains, especially for vaccine production and distribution.



## 4.1 Introduction

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The COVID-19 pandemic has significantly affected trade, investment and development prospects for most Commonwealth countries, as the previous chapters have demonstrated. A sustainable recovery hinges on successfully opening up economies, ending lockdowns and loosening restrictions on the movement of goods and people. This requires enhanced global and regional co-operation to contain the pandemic, mitigate its impact on trade, livelihoods and health, and ensure open trade and undisrupted supply chains, especially for medical equipment and for the equitable access to essential vaccines for all. Indeed, the global economic cost of an unco-ordinated approach to vaccine distribution, including not vaccinating developing countries from the pandemic, has been placed at US\$9 trillion (ICC, 2020). This is greater than the combined gross domestic product (GDP) of Germany and Japan.

This chapter examines some of the trade aspects of the global response to the pandemic, focusing specifically on

multilateral developments at the World Trade Organization (WTO) and regional initiatives involving Commonwealth countries. This provides the overarching global and regional contexts and frameworks to situate the proposed policy actions for trade recovery in the next chapter.

The chapter is divided into five sections. Section 4.2, which follows, highlights some of the accomplishments of the multilateral trading system amid emerging challenges, including greater multipolarity and the changing composition of trade and supply chains, and the role of the Commonwealth in supporting trade multilateralism. Section 4.3 provides an overview of some ways COVID-19 has affected the multilateral trading system, including the importance of vaccine multilateralism to ensure affordable and equitable access to these lifesaving tools. Section 4.4 discusses recent regional trade and integration initiatives amid the pandemic and the scope for regional co-operation to support recovery. Section 4.5 concludes the chapter.

## 4.2 The Commonwealth and trade multilateralism

Trade is widely recognised as an indispensable tool for economic growth and sustainable development. Creating better trade opportunities has helped lift millions of people from poverty to prosperity in many regions and countries around the world (World Bank, 2018). The importance of trade-driven development is demonstrated by the growth in the WTO's membership over the past 25 years to 164 member states today, representing over 96 per cent of world trade and GDP.<sup>1</sup> This near-universality signifies the importance ascribed to stable and predictable rules-based trade by countries around the world, including the 50 Commonwealth members of the WTO, with The Bahamas in the process of acceding to the global body.

Global co-operation in the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT), have helped reduce global tariffs to historically low levels. Moreover, the WTO's binding rules on trade have largely prevailed in times of crisis and contributed to increased global trade and greater prosperity: the real volume of world trade has grown 2.7 times over since its formation in 1995 (WTO, 2020c). The amendment of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) provides developing countries with legal policy space to access affordable medicine under WTO rules, and this has gained

greater attention in response to the COVID-19 pandemic. The entry into force in 2017 of the Trade Facilitation Agreement (TFA), together with its innovative approach to capacity-building and implementation support, have helped many developing countries streamline border procedures to expedite the flow of goods, which could increase global trade by up to US\$1 trillion per year (WTO, 2015). The broader WTO-led Aid for Trade initiative has assisted developing countries to address their trade-related capacity constraints. Notably, the WTO has handled 600 trade disputes since its formation, underscoring the cardinal importance of the dispute settlement function for the rules-based multilateral trading system. In another historic milestone for the organisation, in 2021, the first woman and representative of the African continent was appointed as the WTO's seventh Director-General.<sup>2</sup>

Despite these accomplishments, trade multilateralism is today at a crossroads at a time when certainty and stability in world trade are most needed, to tackle the COVID-19 pandemic and support recovery. The growth in WTO membership has been accompanied by greater diversity of interests and expectations for the role of the body in governing world trade. This has resulted in many challenges for the organisation and its membership, notably an incomplete Doha Round of negotiations<sup>3</sup> and the paralysis of the Dispute Settlement Understanding once the Appellate Body ceased functioning in December 2019 (Remy, 2020). The lack of progress in multilateral rule-making has contributed to an impetus for deeper economic integration through bilateral or regional trade deals. Many of the new and emerging

issues and challenges for this century's global trading system were not on the horizon when the previous Uruguay Round was completed in 1994, be they health pandemics, climate change or the rapid digitalisation of trade, economies and work. In recent times, some WTO members have therefore launched initiatives from e-commerce to trade and health to address these shortcomings (see Chapter 5).

The changing nature and composition of trade and supply chains may also affect the prospects for trade multilateralism and have implications for Commonwealth countries. The reorganisation of global trade towards complex supply chains that began in earnest in the 1990s has already slowed or stopped over the past decade (UNCTAD, 2020a). Combined with the effects of near-shoring initiatives by governments and multinational enterprises, in future cross-border trade of intermediate parts and components of finished goods, especially over long distances, will become somewhat less important than today (Pigman, 2020). The overall mix of global trade will continue to shift towards digital goods and services, although there is the risk of a widening digital divide between and within countries, with many developing countries and least developed countries (LDCs) still largely offline, as was discussed in Chapter 2. Modes of manufacturing in many countries will accelerate their transition towards 3D printing and other frontier technologies (UNCTAD, 2021b), which can take place close to the point of goods' consumption or their assembly into higher value-added goods. On balance, increased use of 3D printing is likely to reduce the need to import intermediate and final goods from low-wage countries (ING, 2017). In

such an evolving environment, traditional sources of significant comparative advantage, such as low labour costs and concentrations of skills, are likely to decline in significance, at least in relative terms. Costs of transport will rise, particularly for heavy and bulky goods, as many governments and firms worldwide accelerate their efforts to achieve a global economy with net zero carbon emissions by 2050 (Pigman, 2020).

These transformations could leave some governments potentially less dependent on open trade rules, at least for physical goods, and more inclined to adopt unilateral re-shoring policies. In this context, and following the disruptions caused by the COVID-19 pandemic, the WTO will need to adapt to become more effective at promoting and facilitating trade in data, knowledge and information, so that WTO membership, with all its obligations, remains indispensable to every country (see Chapter 5).

A loss of confidence in multilateralism more broadly has led many WTO members to pursue unilateral measures, including in response to the pandemic, as discussed in the next section. However, the primary challenge for the multilateral trading system going forward is managing the WTO's rulebook for global trade in the face of the increasing geopolitical and geo-economic rivalry between the USA and China. The unresolved USA-China trade and technology conflict caused a significant contraction in global trade in 2019, including substantial effects on Commonwealth countries' trade flows (Box 4.1), and could hamper economic recovery post-COVID-19.

Against this backdrop, Commonwealth Heads of Government have regularly

declared their collective commitment to free trade in a transparent, inclusive, fair and open rules-based multilateral trading system, which takes into account the special requirements of LDCs and small and vulnerable economies.<sup>4</sup> They have also raised concerns about the risks of protectionism to the global economy and underlined the importance of resisting all forms of this. Prior to the pandemic, in October 2019, Commonwealth Trade Ministers met and adopted a Commonwealth Statement on the Multilateral Trading System. For the first time, a caucus of all Commonwealth members of the WTO was convened in Geneva, chaired by New Zealand, to provide a forum for Geneva-

based representatives to undertake an informal exchange of views.<sup>5</sup>

For most Commonwealth members, especially small states, LDCs and sub-Saharan African (SSA) countries, the multilateral trading system offers the best hope for creating a more level playing field in world trade and providing a global platform to articulate and advance their trade and development interests, especially in times of global crisis like under COVID-19 as they battle the pathogen and protectionism. The next section examines how COVID-19 has affected trade multilateralism and the implications for these capacity-constrained countries.

#### BOX 4.1

##### IMPLICATIONS OF THE USA-CHINA TRADE CONFLICT FOR COMMONWEALTH COUNTRIES

In a study for the Commonwealth Secretariat, Ambaw and Draper (2020) use empirical and regression analysis techniques to assess the impact of the USA-China trade conflict on Commonwealth members' exports and examine the implications for their supply chain trade.

It is found that the USA-China conflict led to trade diversion in several Commonwealth countries. In normal times, US imports from China and Commonwealth members are positively correlated. Following the tariff hikes imposed by the US government, the growth of Commonwealth countries' exports to the USA declined sharply, reversing the upward trajectory witnessed before the onset of the tariff increases. The various rounds of tariff increases affected both tariffed and non-tariffed products alike (Figure 4.1). However, some Commonwealth Asian countries did marginally expand their exports to the USA. Alongside the drop in the Commonwealth's exports to the USA, the imports of Chinese products by Commonwealth countries increased, reflecting diversion of Chinese trade from the USA towards Commonwealth members.

The trade conflict also disrupted Commonwealth countries' supply chain trade. There was modest growth in exports of parts and components from the Asian region, reflecting the deeper integration of these economies in global value chains (GVCs). While the direct trade effect on supply chain trade was negligible for the other Commonwealth regions, the indirect spill-over effects on economic growth and investment flows could be substantial.

**FIGURE 4.1**  
AVERAGE COMMONWEALTH EXPORT GROWTH TO THE USA FOR TARIFFED AND NON-TARIFFED PRODUCTS



Note: The charts indicate export growth relative to the average over the three-year period from Q2 2015 to Q2 2018.  
Source: Ambaw and Draper (2020)

## 4.3 COVID-19 and trade multilateralism

The outbreak of the COVID-19 pandemic has affected trade multilateralism in multiple ways. Four areas are

highlighted and discussed below: the disruptions to in-person meetings and negotiations at the WTO (4.3.1); the unilateral use of trade measures to manage the health and economic consequences of the pandemic (4.3.2); the disruptions to global logistics and supply chains, including the transit of medicines, food and other essential goods (4.3.3); and the use of trade

rules to support affordable and equitable access to vaccines (4.3.4).

### 4.3.1 The shift to virtual and hybrid negotiations

The worsening of the pandemic in March 2020 triggered a sudden shift from in-person to virtual and hybrid forms of diplomatic communication and negotiation, including at the WTO (Pigman, 2021). The WTO’s 12th Ministerial Conference (MC12) was postponed on two occasions, while lockdown measures upended the WTO’s regular committee work and negotiations. This shift to online has created both technical challenges and innovative opportunities for developing countries’ participation in the WTO (Box 4.2).

The gains already reaped by beneficiaries of virtual and hybrid meetings suggest that new digital modes of operation are not likely to disappear after the pandemic. Greater virtual participation by officials in capitals will stay popular in developed and developing countries alike. Enhancing transparency around the WTO in capitals has increased its perceived legitimacy in an age of public diplomacy. Notwithstanding issues relating to digital connectivity, virtual meetings and negotiations also permit more participation by small states, LDCs and SSA countries on an on-going basis without increasing Geneva capacity and costs. Whether major WTO objectives are achieved going forward depends, in part, on how well current provisional arrangements for virtual and hybrid meetings and negotiations continue to operate ahead of WTO MC12.

### 4.3.2 Trade measures in response to COVID-19

Since the start of the pandemic, many WTO members, including the G20, have unilaterally used a range of trade policy

**BOX 4.2****THE WTO GOES VIRTUAL: OPPORTUNITIES AND CHALLENGES FOR DEVELOPING COUNTRIES**

In a study for the Commonwealth Secretariat, Pigman (2021) conducted online interviews with several ambassadors and officials of Commonwealth countries in Geneva to better understand their experience with the shift to virtual and hybrid meetings and negotiating sessions at the WTO. Some of the issues and challenges that have arisen are:

- Technical barriers to online negotiating, including lack of digital connectivity in developing country capitals, online privacy and security concerns, communication logistics problems (e.g. time zones) and gaps in digital knowledge and skills;
- Negotiating format and design issues, including loss of the ability to communicate in person, increased participation in meetings by capital-based officials, the practicalities of organising virtual and hybrid meetings and training for virtual and hybrid meeting and negotiating; and
- Geopolitical and power issues.

Pigman provides four clusters of recommendations to maximise the opportunities and minimise the disadvantages that the shift has created, particularly for small states, LDCs and SSA countries:

1. Optimise the balance between in-person and virtual communication and negotiation after the pandemic;
2. Improve virtual and hybrid meeting practicalities (e.g. through technical upgrades to meeting rooms and software, or greater use of an asynchronous, online process for drafting and editing texts);
3. Survey and prepare to adopt new technologies to facilitate online/hybrid negotiating (e.g. gesture recognition software that may help decode body language cues, more sophisticated integrated chat apps or telepresence technology); and
4. Upgrade and expand training and capacity-building.

**BOX 4.3****TRADE RESPONSES TO THE PANDEMIC**

From the outbreak of the pandemic to the most recent period of reporting at mid-October 2020, G20 economies introduced 133 COVID-19 trade and trade-related measures, 37 per cent of which were trade-restrictive – mainly export controls covering trade worth US\$111 billion. Although these measures restricted trade in the early stages of the pandemic, about 27 per cent had been rescinded by mid-October 2020. These trade-restrictive measures were on top of the existing stock of import-restrictive measures introduced since 2009 and still in force, affecting an estimated 10.4 per cent of G20 imports (WTO, 2020d).

Overall, many WTO members, including some Commonwealth countries, introduced 183 COVID-related trade-restricting measures. These measures span different time durations. By 19 March 2021, 93 trade-restricting measures with no specified end date were still in place, raising questions about their compatibility with WTO rules.<sup>6</sup> The product coverage of these measures varies considerably, and mainly involves medical supplies and some foodstuff. Some of these measures were not immediately notified to the WTO as required by WTO rules to ensure transparency, making it difficult for other countries to make purchasing adjustments. In addition, export restrictions, although applied temporarily, have a long-lasting price effect on importing countries until former trade relations are restored (Deuss, 2017). Furthermore, governments may find it challenging to withdraw support previously given to sectors (OECD, 2020d).

tools to manage the economic, health and social consequences of COVID-19 (Box 4.3). Some of these measures aimed to ease imports by reducing or

exempting tariffs temporarily; others controlled or restricted exports in the face of global shortages. In both cases, the affected goods included

medical equipment (e.g. ventilators), personal protective equipment (e.g. surgical masks and gloves) and some food products (Vickers et al., 2020).



Besides affecting trade, these measures also had an indirect impact on some of the Sustainable Development Goals (SDGs), and this could hinder the achievement of these by the most vulnerable countries (Lee and Prabhakar, 2021). For example, non-tariff measures imposed in response to the pandemic, such as export licence requirements on food, had a direct and indirect bearing on SDG 2 related to hunger and food security by adversely affecting net food-importing countries, which include 34 Commonwealth countries. Similarly, the certification requirements for medicines for technical barrier to trade (TBT) reasons affected SDG 8, which concerns economic growth. Businesses involved in the export of medicines have had to absorb this increased compliance cost, which has reduced their earnings. However, this has positively affected the health and well-being of citizens (SDG 3) by ensuring medicines are safe and of the highest quality (ibid.).

By July 2020, all temporary trade restricting measures used by

Commonwealth countries had lapsed. However, there is another risk – that the limited production of vaccines and complex supply chains may lead some countries to impose export restrictions or stockpile to ensure they retain adequate supplies for reasons of public policy. This could have major implications for the ability of all Commonwealth countries – developed, developing and least-developed – to secure doses in sufficient quantity. Responding to COVID-19 and building back better necessitates lifting trade-restricting measures and enabling supply chains, which can help revamp production and the movement of goods across borders. This requires international co-operation to ensure the maintenance of open trade, as discussed next.

#### 4.3.3 Facilitating trade and enabling supply chains

The COVID-19 pandemic has underscored the importance of well-functioning trade facilitation systems. Disruptions to transport and logistics

services, as well as additional checks and requirements owing to quarantine and sanitary measures, have affected cross-border trade, including the transit of medicines, food and other essential goods. In response to the pandemic, many Commonwealth countries temporarily implemented a range of digital trade-facilitating measures to streamline processes for clearing goods through borders (Box 4.4). Significant gains can be made, and sustained, if these temporary measures are made permanent post-COVID (see Chapter 5).

Several Commonwealth countries have also been strong advocates for maintaining open trade and functioning supply chains. In April 2020, New Zealand and Singapore issued a Declaration on Trade in Essential Goods for Combating the COVID-19 Pandemic. They committed to maintain open trade and supply chains by removing tariffs and export restrictions on several medical and agricultural and food products and to refrain

#### BOX 4.4

##### EXAMPLES OF COMMONWEALTH TRADE FACILITATION MEASURES IN RESPONSE TO COVID-19

- The Commonwealth Secretariat joined other multilateral organisations to develop an online COVID-19 Trade Facilitation Repository.<sup>7</sup> This platform consolidates information on trade facilitation measures and provides institutional guidance material on responses to the pandemic.
- The UK government introduced temporary changes to its customs border processes, including transit and export procedures, which allowed traders, agents and Border Force staff to exchange documents electronically by email, fax and digital photographs (HM Revenues & Customs, 2020).
- The South African government adopted measures to permit the submission of electronic veterinary health certificates for importers of live animals and animal products in lieu of hard copies, subject to further verification of the documents directly with the veterinarian authorities of the exporting countries (WTO, 2020i).
- In the Asia-Pacific region, several trade facilitation measures were introduced in areas such as transparency and institutional co-ordination, simplification of customs procedures and import easing, digital trade, and transport and transit (UNESCAP, 2021).
- Grenada, St Vincent and the Grenadines, and Trinidad and Tobago expedited the introduction of ePhyto certificates to avoid delays and disruptions in the movement of fresh produce between them (Government of Trinidad and Tobago, 2020).

from imposing export restrictions. Other countries were invited to join this initiative (WTO, 2020e). At the WTO, a joint Ministerial Statement was issued by 47 countries, including 15 Commonwealth members,<sup>8</sup> which, among other things, stressed the need for the international community to maintain supply chain connectivity and avoid adopting unjustified trade restrictions on products in response to the pandemic (WTO, 2020f).

In May 2020, Australia, Canada, Malawi, Malaysia, New Zealand, Singapore and the UK jointly issued a statement with other WTO members stating the importance of adopting trade measures that did not adversely affect trade in agriculture and agri-food products (WTO, 2020g). They furthermore encouraged WTO members to implement temporary trade facilitation measures, including digital trade-facilitating interventions such as allowing scanned or electronic copies of certificates of origin, to facilitate trade in agriculture and food products (see Chapter 5). The Ottawa Group, which includes five Commonwealth countries – Australia, Canada, Kenya, New Zealand and Singapore – took the lead to rescind any emergency measures, including trade restrictions, introduced in response to the pandemic (WTO, 2020h).

Commonwealth developing countries and LDCs could consider using these pandemic responses – namely, temporary trade-facilitating measures and global advocacy for enabling trade – as the basis for a proactive policy agenda to permanently adopt these *ad hoc* measures. This could include fast-tracking any relevant provisions of the WTO's TFA and using the TFA Facility and capacity support to do so. So far, 48 of the 50

Commonwealth WTO members have ratified the TFA, demonstrating their commitment to domestic reforms to facilitate trade. However, the degree and speed of implementing the TFA by developing countries is uneven, with Singapore being the only member to fully implement commitments (Figure 4.2). As highlighted in Chapter 5, Singapore has consistently been the world-class performer among Commonwealth members when it comes to logistics performance and offers valuable experiences and best practices in trade facilitation, especially paperless and digitalised trade, for fellow Commonwealth members. Seventeen Commonwealth countries are implementing more than 50 per cent of the Category A commitments, while only two countries are implementing more than 50 percent of the Category B commitments (i.e. those that require a transition period).<sup>9</sup> The low rate of implementation of Category C commitments is partly explained by a transition period and conditioned upon receipt of technical assistance, as stipulated in TFA Article 14. Only two Commonwealth LDCs, Bangladesh and Rwanda, had on-going projects under Category C by the end of March 2021.

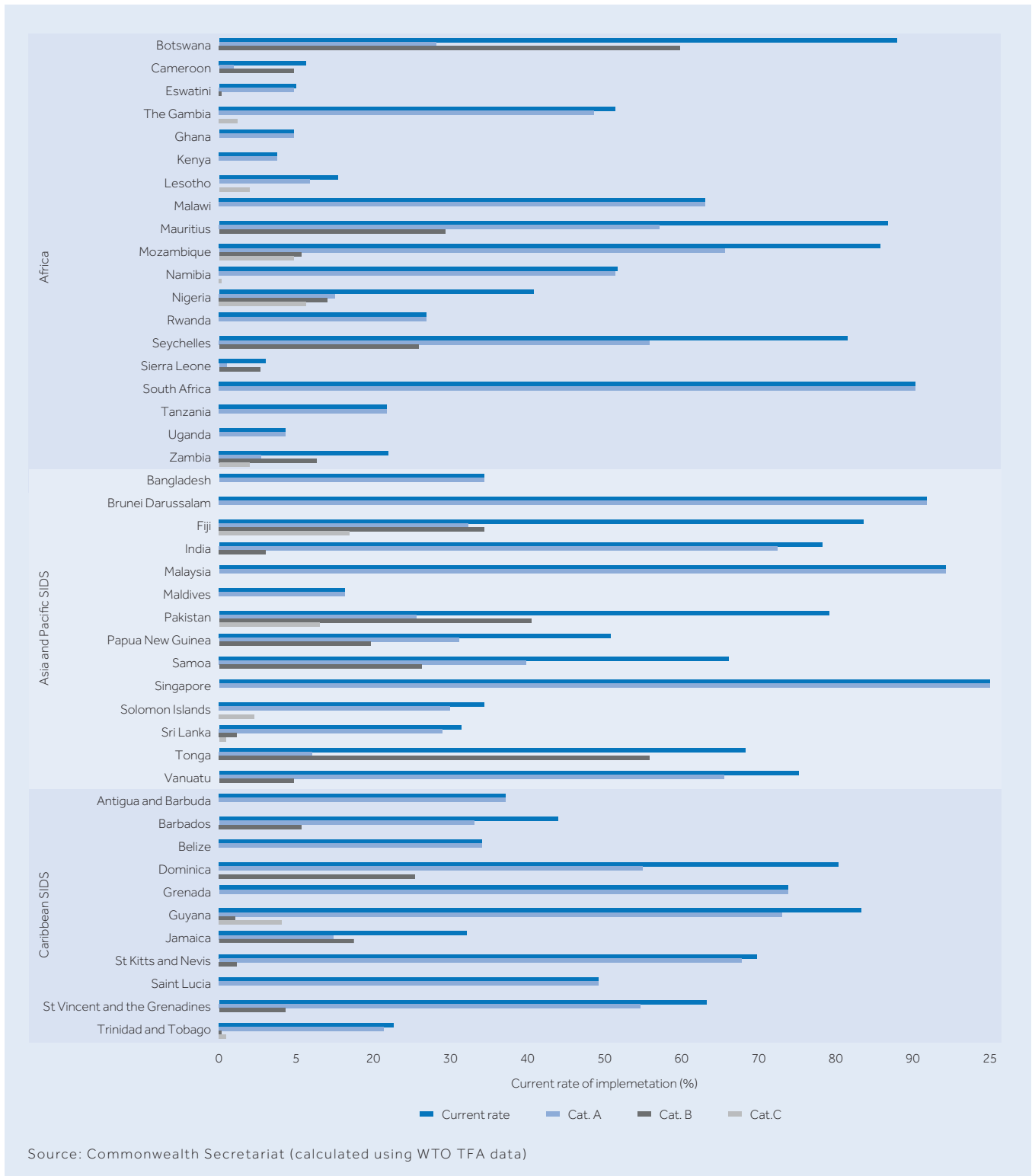
Through the TFA Facility, developing countries and LDCs can access the technical assistance and capacity-building needed to implement the Agreement, although several countries have raised concerns about increasing difficulties securing the required support (WTO, 2019). Since many Commonwealth African, Caribbean and Pacific countries are already engaged in trade facilitation initiatives at the bilateral and regional levels, in many cases the implementation of these regional deals will help anchor and achieve the WTO's TFA.

#### 4.3.4 Ensuring affordable and equitable access to vaccines

Only a few Commonwealth countries have the capacity to manufacture vaccines, while 47 of the 54 Commonwealth members are net importers of COVID-related medical goods<sup>10</sup> (Vickers et al., 2020). The WTO TRIPS Agreement, and specifically the Doha Declaration on TRIPS and Public Health (Box 4.5), which was noted earlier in the chapter as one of the WTO's achievements, provides a possible multilateral route for international co-operation in the development and distribution of affordable COVID-19 vaccines. Within academic and policy debates, there are innovative proposals, such as for a COVID-19 vaccine trade and investment agreement and fund, although this would require the leadership of vaccine-manufacturing countries, notably the USA (Bown and Bollyky, 2021).

To draw on the WTO rules, several Commonwealth countries, led by India and South Africa, with growing support from other WTO members, have requested at the WTO a general waiver to TRIPS for drugs, vaccines, diagnostics and other technologies related to COVID-19 (WTO, 2020j). The submission proposed a suspension of rights related to copyrights, industrial designs, patents and undisclosed information (trade secrets) for the duration of the pandemic (i.e. "until the majority of the world's population has developed immunity"). More recently, the USA announced support for a waiver of intellectual property protection on COVID-19 vaccines to help end the pandemic. However, some countries still argue that the Doha Declaration on TRIPS and Public Health already provides sufficient flexibilities to strike the right balance between safeguarding intellectual property holders' rights and public health considerations.<sup>11</sup>

**FIGURE 4.2**  
TFA IMPLEMENTATION BY COMMONWEALTH DEVELOPING COUNTRIES AS OF 19 MARCH 2021



Source: Commonwealth Secretariat (calculated using WTO TFA data)

**BOX 4.5****DOHA DECLARATION ON TRIPS AND PUBLIC HEALTH**

The 2001 Doha Declaration on TRIPS and Public Health clarified specific flexibilities in the TRIPS Agreement for practical policy reasons aimed at protecting public health. It confirms the right of WTO members to use the flexibilities in the TRIPS Agreement for this purpose, including to grant compulsory licences and to determine the grounds on which such licences may be granted (WTO, 2001). Article 31*bis* of TRIPS, which came into force in January 2017, provides a mechanism to allow low-cost generic medicines, as well as drugs (and their active ingredients), vaccines, diagnostic tests and other supporting devices, to be produced and exported under a compulsory licence exclusively to serve the needs of those countries that cannot manufacture those products themselves.

However, most developing countries continue to face constraints and are unable to take full advantage of flexibilities such as compulsory licensing. The constraints include political and economic pressure from some industrialised countries, the complexity of implementing the licences in practice, inadequate institutional capacity and a lack of co-ordination between patent offices, government ministries and regulatory authorities (WTO et al., 2020). For example, there has been only a single example of the use of the special compulsory licensing system so far (under the waiver) and the slow pace of achieving a satisfactory result has been strongly criticised. Furthermore, finding countries with the required scale of approved facilities and capacity to manufacture and export medicines on a global scale, let alone for their own population, poses a huge challenge.

If granted, the waiver would enable capable WTO members to produce, develop and export generic vaccines to meet national and global demand. This will contribute to reducing disparities in vaccine rollouts and help in eliminating the virus before the mutating variants – some of which are more transmittable, deadly and even vaccine-resistant – become widespread. The granting of a waiver could also set a healthy precedent to combat such future global emergencies and human biosecurity challenges, and thus increase confidence in the multilateral trading system.

## 4.4 The Commonwealth and regional co-operation in times of crisis

Regional trade agreements (RTAs) continue to flourish, both in response to limited progress at the multilateral

level and based on aspirations to deepen trade and investment relations – and, in some cases, expand digital economies (see Chapter 2) – between regional neighbours or significant global partners. By February 2021, there were 339 RTAs notified to the WTO and there are on-going negotiations for new agreements.<sup>12</sup> This section examines the participation of Commonwealth countries in RTAs and the continuing importance of regional co-operation in times of crisis like COVID-19. It first highlights some of the recent positive RTA developments since 2018 (4.4.1). It then demonstrates how regional co-operation has been helpful in addressing COVID-19 (4.4.2) but argues that post-COVID recovery offers an even more valuable role for RTAs (4.4.3).

### 4.4.1 Regional developments in trade

In recent years, several RTAs involving Commonwealth countries have been completed or have entered into force (see Annex 4.1). They include the African Continental Free Trade Area (AfCFTA), the Pacific Agreement on Closer Economic Relations (PACER)-Plus, the Regional Comprehensive Economic Partnership

(RCEP) covering the Asia-Pacific region and the UK's raft of trade agreements with Commonwealth countries to ensure trade continuity and enhance trading opportunities post-Brexit, which are discussed in greater detail in Chapter 5.

Since RTAs seek to deepen economic relations, most are designed to go beyond the WTO in depth and coverage of policy areas, such as e-commerce, investment, competition and digital trade policies, while others span policy areas such as labour standards and the environment (WTO, 2011). New agreements are also taking shape, such as the Digital Economy Partnership Agreement involving New Zealand and Singapore, which some regard as a model for next generation agreements in this area (Box 5.6 in Chapter 5). Commonwealth African members are also leading the way in developing reciprocal trade with the world's two largest economies: China signed its first free trade agreement (FTA) with an African country, Mauritius, in 2019, while Kenya could be the first SSA country to successfully negotiate an FTA with the USA after negotiations

with the Southern African Customs Union (SACU) ended indefinitely.<sup>13</sup> In addition, there are notable inter-regional developments. In December 2020, Commonwealth countries belonging to the Organisation of African, Caribbean and Pacific States (OACPS)<sup>14</sup> and the EU, including Cyprus and Malta as the two Commonwealth EU member states, announced a successor deal to the Cotonou Partnership Agreement, which expired the same year.

Most intra-Commonwealth trade takes place regionally, as discussed in Chapter 1, and this is enabled by multiple RTAs that are found to have a more significant impact on countries' exports than WTO membership, although the latter is also important (Commonwealth Secretariat, 2018a). Indeed, trade between Commonwealth countries is more than three times higher when they belong to an existing trade agreement.<sup>15</sup> Even with many new agreements being

notified to the WTO, Commonwealth countries have no shortage of RTAs to grow their trade beyond the pandemic. For example, Africa has the most RTAs in the world, with some countries simultaneously belonging to two or three such arrangements (Vickers, 2017), while the growth of RTAs in Asia-Pacific has also created a complex situation with numerous overlapping agreements. Membership of multiple RTAs create a "spaghetti bowl" effect of

**BOX 4.6**

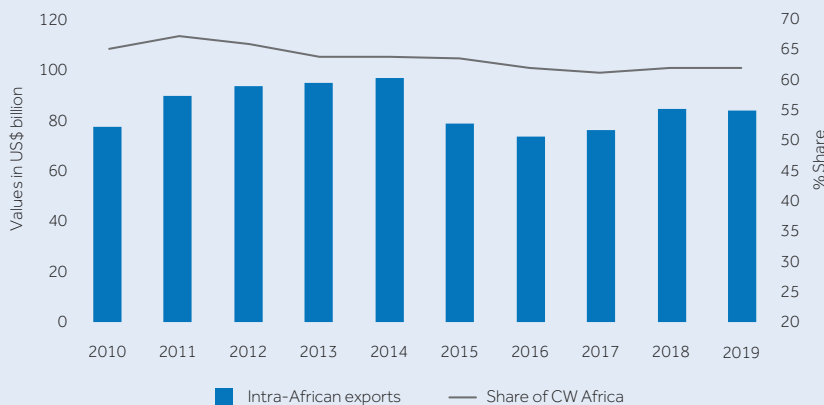
**THE AFCFTA: A GAME CHANGER FOR AFRICA'S CONTINENTAL AND GLOBAL TRADE**

The AfCFTA brings together 54 of the 55 African Union (AU) member states to create a single market for goods and services, with free movement of businesspersons and investments. Following a delay caused by COVID-19, trading started on 1 January 2021, and Commonwealth countries, including Ghana, Kenya and South Africa, are among the first to trade on the basis of the new preferences. The AfCFTA creates considerable opportunities for greater trade expansion in Africa, especially in food products, basic manufactures and services. Most importantly, the AfCFTA is expected to benefit small and medium enterprises (SMEs), which are responsible for more than 80 per cent of Africa's employment and 50 per cent of its GDP.

However, many African countries have historically found it easier to export outside the continent. In 2018, intra-Africa trade averaged 15 per cent, which is much lower than intra-regional trade in Asia (60 per cent) and Europe (80 per cent). The 19 Commonwealth SSA countries are significant traders, contributing almost two-thirds of intra-African trade (Figure 4.3). They are set to benefit significantly from the agreement, while LDCs have longer implementation periods and greater carveouts for sensitive products.<sup>16</sup>

Trade liberalisation under the AfCFTA has the potential to boost intra-Africa trade to over 25 per cent in the next decade. However, tariffs are not the biggest hindrance to intra-African trade and improvements in trade facilitation and logistics, and the elimination of other non-tariff barriers is likely to be of even greater importance in boosting trade further. It is also necessary to focus on building productive capacity, including regional value chains, and investing in infrastructure to connect, power and digitalise the world's second-largest continent. Yet, according to the AU Commission, the continent has an estimated annual infrastructure financing gap of US\$60–90 billion. This creates a major hurdle for building the single market.

**FIGURE 4.3**  
SHARE OF COMMONWEALTH AFRICAN MEMBERS IN INTRA-AFRICA TRADE, 2010-2019



Note: The left vertical axis contains values of exports while the right vertical axis contains the share of 19 Commonwealth countries in intra-Africa trade of goods and services.  
Source: Commonwealth Secretariat (calculated using UNCTADstat and OECD-WTO BaTIS datasets)

**BOX 4.7****RCEP AND TRADE AND INVESTMENT IMPLICATIONS FOR THE COMMONWEALTH**

RCEP creates the world's largest trading bloc, representing one-third of the global population and around 30 per cent of global GDP. Fifteen Pacific countries have signed the agreement, including Commonwealth members Australia, Brunei Darussalam, Malaysia, New Zealand and Singapore. India participated in the negotiations until 2019 but did not pursue this further.<sup>17</sup> The agreement was signed on 15 November 2020 and is anticipated to take effect by 1 January 2022.<sup>18</sup>

RCEP is expected to provide a modest boost for trade because around 83 per cent of existing trade between the members (US\$2.3 trillion) is already preferential in nature under existing trade deals. The remaining tariff reductions have a long transition period, up to 20 years in some cases. Moreover, three key features of new generation FTAs – namely, environmental regulations, labour standards and intellectual property rights (IPRs) – are absent from RCEP.

The main strength of RCEP is the harmonisation of RoO in the existing FTAs between these economies, which effectively creates a single market for intermediary goods. This harmonised set of RoO and simple regional content rules are likely to boost trade in intermediate products, leading to further integration and diversification of regional supply chains. Two Commonwealth GVC hubs in this region, Malaysia and Singapore, could possibly benefit. In addition, RCEP members with relatively lower wages and production costs could attract new investment from multinational enterprises seeking to establish supply chains within the bloc and/or shift production out of higher-cost locations in the region.

Combined, RCEP members absorb around 30 per cent of Commonwealth countries' global merchandise exports. South Asian Commonwealth members - India, Bangladesh, Maldives, Pakistan and Sri Lanka – have notably strong trade relations with RCEP signatories. The limited proposed tariff reductions and the long transition period will alleviate concerns about preference erosion for many of these countries. Similarly, the trade flows of Commonwealth small states and LDCs in the Pacific region are less likely to be affected because of their pre-existing trade agreements with Australia and New Zealand and the relatively lesser focus of RCEP on tariff reductions.

There is also scope for investment diversion away from Commonwealth countries that are not members of the agreement, especially India, particularly if China pivots more investment towards RCEP signatories. Similarly, RCEP may result in even greater flows of intra-regional investment to China, to the detriment of countries outside the bloc.

Notwithstanding RCEP's potential to support growth in trade and investment, geopolitical issues and the future security relationships between the members could constrain the outlook. China's recent trade tension with Australia is a case in point. Beijing has restricted or banned various Australian imports, from beef and wines to timber and coal, for reasons that appear to be largely political. It is possible – but unlikely – that RCEP will be able to ease this mounting tension, especially since its dispute settlement mechanism is untested and limited in scope (Chuah, 2020).

overlapping trade rules and regulations, which may be confusing and costly for business (Baldwin, 2006). This is notably the case when businesses, especially micro, small and medium enterprises (MSMEs), must comply with different rules of origin (RoO) to benefit from a tariff preference. The implementation of mega-regionals like AfCFTA and RCEP could potentially rationalise some of these RTAs, harmonise some rules and standards and enable countries to better participate in regional or global

production networks, especially once trade recovers from the pandemic.

AfCFTA and RCEP are the world's largest trade agreements when measured, respectively, by number of members or economic size (Box 4.6 and 4.7). Once fully implemented, these agreements, together with other mega-regionals like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), will significantly reshape the global trading

landscape. Their implementation could provide an impetus for global growth and spur trade expansion elsewhere, also benefiting non-members. There will, however, be implementation costs. For members, these include any adjustment costs related to the removal of tariffs and the introduction of new trade rules and standards. For non-participating countries, although the changing circumstances present opportunities, there may be new challenges as well, ranging from

trade and investment diversion to more elaborate and encompassing standards and regulations, especially in the case of CPTPP. Commonwealth developing countries and LDCs, drawing on multilateral and bilateral development assistance, including Aid for Trade, should proactively strengthen their capacity to comply with such new requirements and standards in world trade (Commonwealth Secretariat, 2015).

To tide over during the COVID-19 pandemic, Commonwealth policy-makers should give the highest consideration to boosting regional trade and implementing existing RTAs, including with global partners. This could provide an important stimulus for economic recovery, especially for developing countries and LDCs with limited fiscal space. It can also help facilitate cross-border trade in medical, pharmaceutical, food and other essential goods. Rather than focusing only on tariff preferences to build regional markets, deeper integration involving behind-the-border measures is likely to result in more trade and investment. Effective regional co-operation and integration allow free movement of goods, services, investment and people – and, in some cases, data flows across borders – to enable competitive production of exports, and participation and upgrading in regional and GVCs. This requires enhanced co-operation on non-tariff measures (e.g. technical regulations and standards), improving connectivity (e.g. transport and logistics infrastructure), reducing trade costs (e.g. digitalised trade facilitation, one-stop borders in Africa and sectoral initiatives such as the Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement) and developing regional value chains

to trigger structural transformation. Strengthening regional integration is especially important for small states to address the constraints of small domestic markets and to enable them to benefit from economies of scale to augment their competitiveness (Commonwealth Secretariat, 2015).

While new trade deals have recently been signed, there are also many existing bilateral and regional trade agreements that are not being effectively implemented or utilised. Implementation of trade agreements generally takes a very long time, often decades, which implies that the negotiated outcomes often do not materialise immediately. For example, the Caribbean Forum (CARIFORUM) Economic Partnership Agreement (EPA) with the EU is its only EPA that includes services, and these provisions are generally more attractive than anything available at the multilateral level.<sup>19</sup> However, Caribbean service suppliers, especially cultural services, artists and performers, have not been able to take full advantage of the agreement because they face barriers related to the mutual recognition of standards and difficulties in obtaining visas (European Commission, 2021). Post-Brexit UK trade relations with CARIFORUM could work to deliver real and meaningful market access in this area, especially given the large Caribbean diaspora in the UK, as discussed in the next chapter.

There are also costs associated with implementing trade deals, whether to generate supply responses or adjust domestically. Investments in “hard” infrastructure should be accompanied by improvements in “soft” infrastructure, including building key stakeholder awareness

and capacity, especially targeting women-led businesses and MSMEs. For such purposes, Commonwealth developing countries can draw on the WTO’s Aid for Trade initiative, while LDCs can develop productive partnerships with its Enhanced Integrated Framework for LDCs and the United Nations Technology Bank for LDCs. In addition, governments should consider adopting a multi-faceted work programme, backed by dedicated institutions with adequate financial resources and technical capacities, to guide the implementation of trade agreements and strategies (Commonwealth Secretariat, 2015). In times of crisis, like COVID-19, broader regional co-operation has also been effective in supporting emergency responses, from pooling resources to acquiring vaccines to ensuring undisrupted supply chains, as discussed next.

#### **4.4.2 Regional co-operation during COVID-19**

The pandemic has underscored the importance of greater regional co-operation and co-ordination to contain the virus and eliminate the pandemic. The following examples illustrate how regional co-operation, which is broader than trade-focused RTAs, has been helpful for this pandemic.

##### **Africa**

African countries, supported by the AU Commission and the Africa Centres for Disease Control and Prevention, have mounted a commendable collective effort to combat the COVID-19 pandemic, address the acute shortage of medical supplies on the continent and, more recently, enable the procurement of vaccines.

The African Medical Supplies Platform (AMSP)<sup>20</sup> was established in June 2020 to pool Africa's demand for medical supplies and maximise the continent's purchasing power (Crone, 2020).

In mid-January 2021, the ASMP commenced the COVID-19 Vaccine Pre-Order Programme and launched a new product category, "vaccine accessories", to enable members to procure ultra-low temperature freezers, syringes, needles and other equipment needed to store and administer vaccines. Additionally, to ensure the procurement of sufficient vaccines to achieve a target of immunisation of 60 per cent on the continent, the AU also set up the Africa Vaccine Acquisition Task Team to help acquire vaccines (Afreximbank, 2021). Several Commonwealth African countries also introduced measures to repurpose manufacturing capacity to support national and continental health care responses, as discussed in the next section about the potential for developing regional production and supply chains.

The African Export-Import Bank (Afreximbank) has a history of providing support to African economies in times of economic crisis. It has played a broader developmental role in the continent than simply providing concessionary export financing. In response to the pandemic, the Bank extended its facilities to finance the import of medical goods and vaccines. For example, it initially provided US\$100 million in financing to the ASMP. Later, it guaranteed combined loans of up to \$2 billion for AU member states to procure vaccines through the ASMP single-source platform (APO Group, 2021). Other Commonwealth regions could consider this innovative use of trade financing in times of crisis.

## Asia

The South Asian countries have cooperated in unprecedented ways to tackle COVID-19. In March 2020, leaders of the South Asian Association for Regional Co-operation (SAARC) hosted their first high-level meeting since 2014 to determine a regional response to the pandemic. This meeting resulted in the creation of an emergency fund of over US\$18 million, to which three Commonwealth members – Bangladesh, India and Sri Lanka – pledged a combined \$16.5 million. India contributed \$10 million of that total. India also committed to providing online training for emergency responders, setting up a surveillance platform to manage the outbreak and providing masks and other medical equipment to the worst-affected countries. SAARC also set up a website to track the development of COVID-19 cases across the region.

Importantly, India is one of the few Commonwealth developing countries with the capacity to develop, or even manufacture, their own vaccines.

The Serum Institute of India is the world's largest vaccine manufacturer by volume. The company is scheduled to reach production of 100 million doses of COVID-19 vaccine a month by March 2021. Bangladesh also has a significant pharmaceutical industry (Vickers et al., 2021).

## Caribbean

The Caribbean Public Health Agency (CARPHA) activated its Incident Management Team-Emergency Response in January 2020 to prepare for and respond to the threat of the pandemic. The organisation has since provided guidelines to governments in managing and controlling the spread of the virus, trained health care workers

and procured test kits and masks. It has also partnered with the Pan-American Health Organization and other international public health bodies to deliver maximum impact. Additionally, CARPHA has prepared guidelines for the safe reopening of borders to assist with resumption of economic activities, especially tourism (CARPHA, 2020).

In April 2020, the Caribbean Community (CARICOM) Heads of Government established a regional pandemic response. They agreed to collectively approach international financial institutions to seek financial resources to meet the fiscal challenges brought about by the pandemic. CARICOM has also continued its campaign for donors to consider additional criteria in determining eligibility for aid, such as the vulnerability of each country (CARICOM, 2020). The Caribbean Economic Recovery and Transformation Plan has been set up to address these and other concerns (Comissiong, 2021).

## Pacific

The Pacific Humanitarian Pathway for COVID-19 (PHP-C) was established in April 2020 to bolster the regional response to the pandemic. It addresses five areas affected by border restrictions: the deployment of technical personnel to and between Forum Island Countries (FICs); immigration, customs and biosecurity; repatriation of FIC nationals to their homes; and clearance of planes and ships transporting medical and humanitarian aid, technical personnel and FIC nationals. Its aim is to expedite assistance and co-operation between FICs by enabling the provision of medical and humanitarian assistance from regional and international development partners (Pacific Co-operation Foundation, 2020).



Australia has funded the operationalisation of the PHP-C, providing US\$5.5 million to the World Food Programme to support efforts to manage COVID-19 in the region. Of this amount, \$4 million was dedicated to air transport and logistic services for the PHP-C, the delivery of humanitarian and critical medical supplies and the assessment of the impact of COVID-19 on food security in the Pacific (Payne et al., 2020). Australia has also pledged to procure COVID-19 vaccines for the Pacific through its Partnership for Recovery strategy, committing \$80 million to the COVAX Facility Advance Market Commitment to improve vaccine access for the Pacific and Southeast Asia countries. In addition, Australia intends to establish a \$304.7 million COVID-19 Recovery Fund over two years as part of a Pacific-Step-up to assist in addressing the social and economic costs of the pandemic in the region.

These developments signify the importance of continued regional co-operation to support health care responses and recovery from the pandemic in Commonwealth countries in Africa, Asia, the Caribbean and the Pacific. However, RTAs can also be used to build back better, as discussed in the next section.

#### **4.4.3 Leveraging RTAs for recovery and resilience**

Commonwealth countries can leverage RTAs to build back better from the pandemic by strengthening existing agreements and their provisions or when negotiating future ones. Policy-makers could focus on three issues, among others.

##### **Strengthen provisions in RTAs to enable co-operation in times of crisis**

Trade agreements can facilitate regional trade in times of emergency, especially

the flow of essential products such as food and medicine, by reducing tariffs, internal taxes and administrative fees, and digitising trade facilitation systems to reduce paper-based trade (see Chapter 5). Governments should also adhere to their WTO transparency obligations, publishing details about their response measures (Tan and Zhang, 2020). There may be an opportunity to improve certain norms and rules in RTAs to ensure that trade is disrupted to the least extent possible in case of emergencies, and to facilitate recovery from crises. This could involve developing model provisions for RTAs and other trade agreements to promote better trade co-operation and co-ordination in times of economic crisis and health pandemics (Bajit and Duval, 2020). For example, appropriate treaty provisions could be developed for medical goods, health care, sanitary and phytosanitary standards, TBT, conformity assessment in emergencies and food security (Muchopa, 2020).

##### **Harness trade agreements as a tool for inclusive recovery**

An inclusive recovery from the pandemic means that consideration of the impact of trade on women as workers, traders and consumers needs to be mainstreamed. COVID-19 has severely affected sectors that employ primarily women, including garments, tourism and hospitality, especially in small states, LDCs and SIDS (Kampel, 2020a). Women also constitute the largest share of informal cross-border traders, but in most cases RTAs do not cover these activities. RTAs could include provisions to better support women entrepreneurs who have been disadvantaged by the consequences of the pandemic and connect more women to the global economy (Bahri, 2020). This could involve

crafting gender-specific provisions in RTAs and creating mechanisms for countries to cooperate to address the challenges faced by women.

For example, in the case of the AfCFTA, the on-going negotiations of schedules for goods and services – and e-commerce in the future – provide an opportunity to address issues of interest to women. Flexibilities in scheduling countries' commitments creates some policy space to support emerging or infant sectors that are gender-sensitive by implementing longer liberalisation periods, while opening others to enhance competitiveness or attract investment. Lessons to improve women's economic empowerment through appropriate domestic regulation can also be gleaned from ongoing plurilateral discussions at the WTO (Kampel and Anuradha, 2021).

##### **Build regional production and supply chains**

COVID-19 has elevated existing policy debates about building greater resilience and self-sufficiency to tackle future crises and pandemics. This comes in the wake of scarcity of medical goods, export controls, over-dependence on single suppliers for specific goods and vaccine nationalism. There are proposals and initiatives related to re-shoring supply chains, reducing the length of supply chains and producing key medical devices and medicine at home, at least in some advanced economies with the technological capabilities (Baldwin and Evenett, 2020).

Since autarky is neither economically optimal, practical nor feasible for most Commonwealth countries, regional approaches could play a pivotal role, especially in Africa, Asia and the Caribbean, as already highlighted earlier in this section. This could take the form

**BOX 4.8****TOWARDS “FACTORY SOUTHERN AFRICA”**

In Southern African countries, developing regional value chains offers an opportunity to broaden the manufacturing base and expand productive capacity. South Africa holds a unique position among countries in the region in terms of its scale of participation in GVCs, which cuts across a range of sectors, from agriculture and mining to automobiles and finance. This means South Africa is well placed to drive the formation of cross-country value chains within Southern Africa. In turn, South Africa's regional neighbours have complementary capabilities that can support the development of these value chains built around South Africa's existing linkages into GVCs (Farole, 2016).

Banga and Balchin (2019) identify “lead products” exported by South Africa in GVCs and the intermediate products that can enable other Southern African countries to link into South Africa's GVCs by supplying inputs more competitively than existing sources. Botswana, Namibia, Zambia and, to a lesser extent, Mozambique repeatedly emerge as potentially competitive suppliers of intermediate inputs in the production of the top lead products exported by South Africa, including capital goods, machinery, pharmaceuticals, consumer goods and agro-processing products. Attention will need to be directed to enhancing productivity and competitiveness in the countries that are not currently capable of serving as competitive suppliers of intermediates into value chains for South African lead products, to ensure they are not excluded entirely from the development of regional value chains in Southern Africa. There is scope to leverage digital technologies to boost productivity and enhance the scale and sophistication of production in these countries. Supplier development or linkage programmes facilitated by South African lead firms mentoring regional suppliers can also help develop the latter's productive capacity and enable them to meet quality and technical requirements.

More generally, the promotion of deeper regional integration in Southern Africa will aid the development of regional value chains. This should focus on eliminating remaining non-tariff barriers hindering trade flows in the region (which include customs inefficiencies, restrictive RoO, import bans, quotas and levies, and a range of TBT) as well as harmonisation of standards and licensing requirements.

of regional stockpiling of essential medical goods for global shortages or ramping up regional production by adding value to available inputs and cooperating with regional and global partners. Developing regional value chains can help reduce vulnerability, increase resilience and foster industrial development (Cordon, 2020). The experience of Africa has demonstrated the potential for Commonwealth countries to fast-track the development of regional value chains in health and possibly other areas. Developing regional value chains can also help Commonwealth African countries recommit to industrial development (Box 4.8), reduce trade dependence on non-African partners and further position themselves to combat future global shocks (Banga et al., 2020).

## 4.5 Conclusion and way forward

This chapter has examined some of the trade aspects of the global response to the pandemic, focusing specifically on the WTO and RTAs involving Commonwealth countries. With trade multilateralism under greater scrutiny and pressure, strengthening the rules-based multilateral trading system remains an important priority for the Commonwealth and for tackling the COVID-19 pandemic, in supporting recovery and pursuing the SDGs. Following the consensus appointment of a new Director-General and MC12 scheduled for November 2021, there will be an opportunity for the WTO membership to consider

the measures needed to restore confidence in the rules-based trading system and help revitalise world trade, as discussed in the next chapter.

The proliferation of RTAs in recent years is partly ascribed to, among others, the very slow progress in the multilateral trade negotiations, as manifested in the incomplete Doha Round and the rise of plurilateral initiatives, especially on digital trade (see Chapter 2). However, there is also a view that multilateralism and regionalism can co-exist and complement each other, especially if they create new trading opportunities and deepen liberalisation (WTO, 2011). RTAs can innovate with governance arrangements for trade, such as the digital economy, while the WTO can provide a platform for inclusive discussion and learning

about regional experiences, including through the Trade Policy Reviews and the Transparency Mechanism for RTAs, as well as designing RTAs that better prepare members for future crises.

Whether to multilateralise these rules is a matter for the WTO membership while taking into consideration the capacity constraints of small states, LDCs and SSA countries.

Multilateral and regional responses to the COVID-19 pandemic have been complementary and have reinforced each other, especially by facilitating supply chains, ensuring access to food supplies and pooling resources to acquire medical products and vaccines. In pursuit of the speedy delivery of vaccines, governments should consider fast-tracking relevant provisions of the WTO's TFA, as appropriate, while drawing on the TFA Facility and available technical assistance and capacity support for developing countries and LDCs. Furthermore, government procurement rules at the international

level that promote efficient trade and best practices in public procurement can help improve the accessibility and availability of affordable vaccines (WTO, 2020k; WTO et al., 2020).

Many Commonwealth countries are increasingly exploring trading opportunities through bilateral and regional trade deals, although the biggest challenge is implementation of these agreements to realise the intended benefits, especially for women-led businesses and MSMEs. Deeper integration rather than tariff preferences is more likely to result in increased trade within the regions of Commonwealth members. Developing regional value chains can also open opportunities for putting in place new manufacturing capacities to aid recovery from the pandemic and in preparation for future crises.

The significance of the RTA effect for intra-Commonwealth trade deserves further policy attention. It would suggest

that intra-Commonwealth initiatives to rationalise tariffs, strengthen trade facilitation and further reduce the costs of intra-Commonwealth trade, particularly among Commonwealth members that are members of RTAs, are likely to yield significant gains to Commonwealth trade. Moreover, it would also suggest that growth in intra-Commonwealth trade could possibly take place at a much faster pace now that the UK has established bilateral trade deals with many Commonwealth members, while there is the possibility of future agreements with Australia, Canada and New Zealand, as discussed in the next chapter. There is considerable scope to increase the UK's trade engagement with Commonwealth countries given its current low share of intra-Commonwealth trade (see Chapter 1). Having provided this overarching global and regional context, the next chapter examines 10 inter-related policy areas to support trade recovery in the Commonwealth and globally.

## Annex 4.1 Major trade agreements involving Commonwealth countries, 2018-present

Agreement	Commonwealth members	Other parties	Entry into force	Policy areas
African Continental FTA (AfCFTA)	Botswana, Cameroon, Eswatini, The Gambia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Seychelles, Sierra Leone, South Africa, Uganda, Tanzania, Zambia	35 African countries; Eritrea has not signed the AfCFTA	30 May 2019	Goods, services, investment, competition policy, e-commerce
Canada–USA–Mexico Agreement (CUSMA)	Canada	USA, Mexico	1 July 2020	Goods, services, government procurement, investment, IPRs, labour, environment
EU-Japan EPA	Cyprus, Malta	EU25, Japan	1 February 2019	Goods, services, environment, labour, public procurement
EU-Singapore Trade and Investment Agreement	Cyprus, Malta, Singapore	EU25	21 November 2019	Goods, services, investment, environment
Pacific Agreement on Closer Economic Relations (PACER)-Plus	Australia, New Zealand, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	Cook Islands, Niue	13 December 2020	Goods, services, investment
Regional Comprehensive Economic Partnership Agreement (RCEP)	Australia, Brunei Darussalam, Malaysia, New Zealand, Singapore	Cambodia, China, Indonesia, Japan, Laos, Myanmar, Philippines, South Korea, Thailand, Viet Nam	15 November 2020	Goods, services, investment, IPRs, e-commerce, competition, SMEs and technical co-operation, government procurement
UK-EU Trade and Co-operation Agreement	Cyprus, Malta, UK	EU25	1 January 2021	Goods, services, investment, competition, data protection, digital trade
UK-CARIFORUM EPA	Antigua and Barbuda, Barbados, Belize, The Bahamas, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, Saint Lucia, UK (provisional application)* Bridging mechanism for St Vincent and the Grenadines and Trinidad and Tobago**	Dominican Republic, Suriname	1 January 2021	Goods, services, IPRs, government procurement and competition
UK-Pacific EPA	Fiji, Papua New Guinea, UK (provisional application)* Bridging mechanism for Samoa, Solomon Islands**	-	1 January 2021	Goods, services, IPRs, government procurement, competition

(Continued)

Agreement	Commonwealth members	Other parties	Entry into force	Policy areas
Southern African Customs Union and Mozambique (SACUM)-UK EPA	Botswana, Eswatini, Lesotho, Namibia, South Africa, UK	–	1 January 2021	Goods, services, IPRs, government procurement, competition
Eastern and Southern Africa (ESA)-UK EPA	Mauritius, Seychelles, Zimbabwe, UK	–	1 January 2021	Goods, services, IPRs, government procurement, competition
UK-Kenya EPA	Kenya, UK	–	Not yet ratified (bridging mechanism)	Goods, services, IPRs, government procurement, competition
UK-Singapore Free Trade Agreement (UKSFTA)	Singapore, UK	–	1 January 2021	Goods, services, IPRs, non-trade barriers in key sectors, such as electronics and pharmaceuticals
Comprehensive Economic Co-operation and Partnership Agreement (CECPA)	India, Mauritius	–	Awaiting signature	Goods, services, movement of natural persons, telecommunication, financial services
Digital Economy Partnership Agreement (DEPA)	New Zealand, Singapore; Canada has announced it will seek to join	Chile		Digital identities, e-invoicing, paperless trade, FinTech and E-Payments, personal data protection, cross-border data flows, open government data, data innovation and regulatory sandboxes, artificial intelligence, SMEs co-operation, digital inclusivity, online consumer protection

Notes: \* Provisional application: a practice in international treaties to bring agreements into effect ahead of entry into force. \*\* Bridging mechanism: alternative means to ensure continuity of trade, where the UK or treaty partners are unable to fully ratify or provisionally apply an agreement. These non-binding mechanisms include memoranda of understanding or the exchange of diplomatic notes. As reported by the UK on 9 March 2021.

Source: Commonwealth Secretariat

## Endnotes

- 1 There were 123 signatories to the 1994 Marrakesh Agreement, which established the WTO.
- 2 The new WTO Director-General is Ngozi Okonjo-Iweala of Nigeria. Furthermore, it is remarkable and celebratory that, for the first time in history, all three global trade bodies - the WTO, the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) - are led by women, two of whom are Commonwealth citizens. Pamela Coke-Hamilton is Executive Director of the ITC and Isabelle Durant is Acting Secretary-General of UNCTAD.
- 3 Paragraph 30 of the 2015 Nairobi Ministerial Declaration (WT/MIN(15)/DEC) notes that many members reaffirmed the Doha Development Agenda and their commitment to conclude this and that other members did not reaffirm the Doha mandate as they believed new approaches were required in order to achieve meaningful outcomes in the multilateral trade negotiations. This contributed to the stalling of Doha Round trade talks.
- 4 Paragraph 16 of the 2018 Commonwealth Heads of Government Meeting Communiqué "Towards a Common Future".
- 5 As of January 2021, the caucus has met twice to discuss topical multilateral trade issues, notably on WTO reform; this has included consultation and outreach by the Canada-led Ottawa Group.
- 6 Article XI of the GATT 1994 broadly prohibits export bans and restrictions but also provides a broad range of carve-outs, which allow members to impose such prohibitions and restrictions temporarily (2a, b and c). Article XI (2a), for example, allows members to impose export restrictions to prevent or relieve critical shortages temporarily. Article XX also allows countries to impose export restrictions under certain conditions that must be met. Such measures should also not constitute a means of imposing arbitrary or unjustified discrimination between countries, or disguised restrictions on international trade. If members impose restrictions on foodstuff temporarily, Article 12 of the WTO Agreement on Agriculture requires them to give due consideration to the food security of others.
- 7 <https://www.tfafacility.org/covid19-trade-facilitation>
- 8 Australia, Barbados, Canada, Guyana, Jamaica, Kenya, Mauritius, New Zealand, Nigeria, Papua New Guinea, Saint Lucia, Seychelles, Singapore, Solomon Islands and the UK.
- 9 The TFA sets a timeframe for developing countries and LDCs to implement measures designated into Categories A, B and C. Category A commitments were required to be implemented by 22 February 2017 for developing countries and 22 February 2018 in the case of LDCs. Category B recognises that developing countries and LDCs need more time to implement these measures. For Category C, developing countries and LDCs need additional time and capacity-building to implement the measures.
- 10 With the exception of Malta, the six net exporters are all located in Asia: Bangladesh, India, Malaysia, Pakistan, Singapore and Sri Lanka.
- 11 Some developing countries have countered that implementing such flexibilities under the TRIPS Agreement (Doha Declaration) is complex because the actions involved in obtaining a compulsory licence are cumbersome and time-consuming at a time-critical point in the effort to halt the pandemic. Lengthy negotiations with the IPR holder(s), including over remuneration, can also deter from the pursuit of more expeditious solutions.
- 12 [https://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](https://www.wto.org/english/tratop_e/region_e/region_e.htm)
- 13 In April 2008, SACU and the USA signed a trade, investment and development co-operation agreement (TIDCA) in lieu of an FTA.
- 14 The OACPS was formerly known as the African, Caribbean and Pacific (ACP) Group of States.
- 15 There is a strong positive effect on trade creation for all countries that belong to RTAs. A country's exports are found to be 115 per cent higher when trading with another RTA partner compared with a partner outside such an arrangement. However, Commonwealth exporters trade more than twice as much (230 per cent) because of the RTA effect. The effect is most significant for intra-Commonwealth trade, where exports are boosted by more than three times (356 per cent) (Commonwealth Secretariat, 2018a).
- 16 Under the AfCFTA, LDCs have 10 years to achieve 90 per cent liberalisation compared with five years for non-LDCs. Likewise, for the remaining 10 per cent of tariff lines, 7 per cent can be designated to sensitive products and 3 per cent can be excluded from liberalisation

entirely to safeguard domestic industries. LDCs also have 13 years to eliminate tariffs on sensitive products compared with 10 years for non-LDCs (Hartzenberg, n.d).

- 17 Reportedly because the negotiations failed to address its core concerns including demands for greater service access and mechanisms to address the potential adverse effects of lower tariffs on local producers.

18 RCEP will enter into force once six of 10 ASEAN members and three of five Dialogue Partners ratify it.

- 19 The CARIFORUM EPA secured major gains relative to General Agreement on Trade in Services (GATS) commitments, including in relation to Mode 4 and the temporary movement of people (among them graduate trainees). The Protocol on Cultural

Co-operation is innovative, and commitments undertaken in the entertainment services sector are viewed positively in relation to the emergence of the animation industry (Keane, 2016).

- 20 The ASMP comprises all AU member states and the 15 Caribbean Community (CARICOM) countries that are also Commonwealth member states.

