



The UK now has an imperative to quickly find alternatives to the EU single market

'Support for Commonwealth Trade' (S4CT) is an independent campaign seeking to increase trade within the Commonwealth, especially between the UK and its Commonwealth partners. Its focus is on practical actions and it draws support from across the political spectrum.

The campaign has three areas of focus:

- The creation of a Commonwealth Free Trade Zone (CFTZ) to remove trade barriers and provide an alternative to the EU Single Market
- Increasing Commonwealth trade via the adoption of eCommerce so that more business is done online to enable nations and businesses of all sizes to trade more easily
- The role of UK free trade ports in enabling Commonwealth trade and how this could revitalise the UK regions

The campaign was formally launched in the Houses of Parliament on the July 12th.

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How the UK can collaborate with the Commonwealth to increase global trade

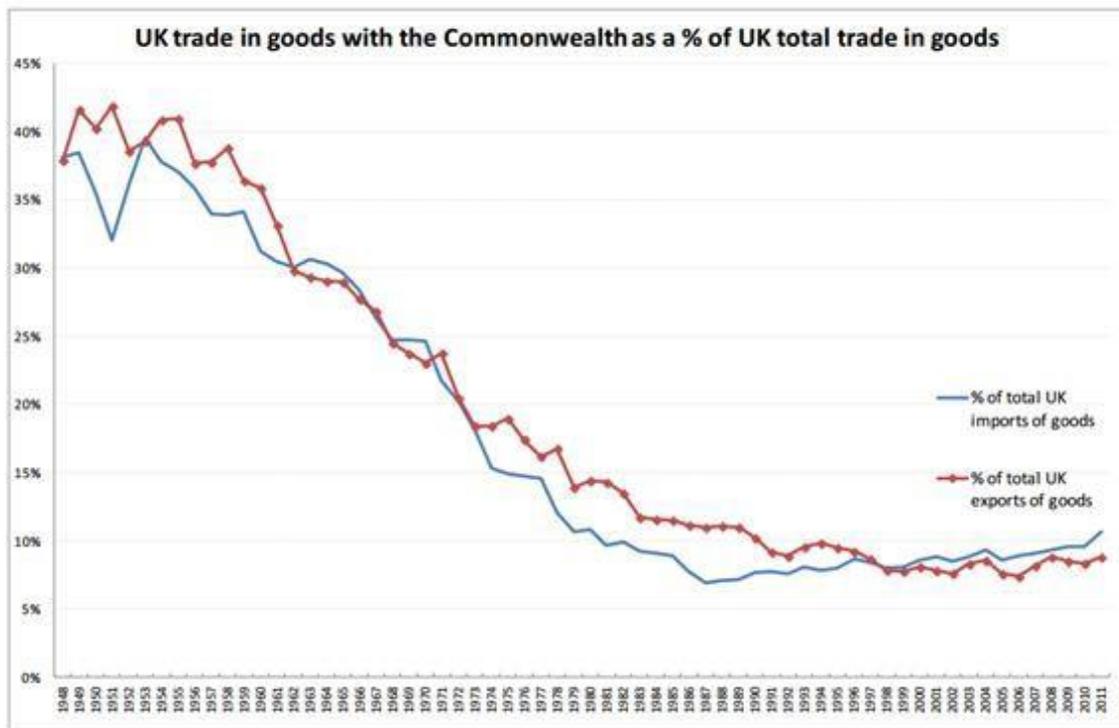
Introduction

In the aftermath of the UK's vote to leave the European Union the world's markets have been sent into turmoil. It is only to be expected that uncertainty will drive short term volatility but now that the jigsaw pieces have been well and truly thrown up in the air does this actually offer new trading opportunities to the UK and the world?

The UK has always been one of the great trading nations in both goods and services. It has developed many insights, skills and partnerships over the centuries and has a reputation for innovation. How can those resources be called upon to help the UK and the world face the post-Brexit era and even benefit from it?

Old friends, new opportunities?

Prior to the UK joining the European Community in 1973, the Commonwealth countries had provided the UK's largest trading bloc. At The Commonwealth's inception in the late 1940s both import and export levels between the UK and The Commonwealth were close to 40% of the UK's total trade. By 1973 both imports and exports were down to around 18%. This century these have fallen to between 8 and 10% of the total, offering a big opportunity for growth.



Source: House of Commons Library: UK – Commonwealth trade statistics note SNEP6497

A UK free to negotiate its own trade deals and hungry to grow markets outside the EU should see the UK refocus on its old trading partners, with great potential for both sides.

What's in it for The Commonwealth?

Today the UK is one of the world's largest importers. Its size means it can sustain an increased flow of goods from the Commonwealth in exchange for the goods and services that a UK economy with a renewed global outlook can provide.

Since 1973 the position of many Commonwealth countries has changed out of all recognition. In early 2016 India overtook China as the world's fastest growing economy. Several African member states now feature in the list of the top 30 fastest growing economies with growth over 5%. This opens up new models for collaboration.

There is a fit and synergy across The Commonwealth as a global trading network with a common history of language, legal frameworks and ways of working. For example, India has the people to become the manufacturing hub of the world and the 'Make in India' initiative, strategic plan and political will to do this. As an economy it requires financial services and natural resources. The UK can provide the finance with London being the leading global financial centre. Commonwealth member Singapore already invests heavily into India. Africa, Australia and Canada have the natural resources that are required by growing manufacturing nations.

Ways to increase Commonwealth trade to enable growth

In the last 20 years the Internet has provided new ways to connect nations to do business online. A community of nations primarily doing business in the English language provides greater eCommerce opportunities for the UK and The Commonwealth nations than an EU uneasily shackled by common regulations, the Euro, and many different languages.

In addition, over the years there have been a number of attempts at creating a Commonwealth Free Trade Zone, however the climate was not right at the time. As we know, things have changed quickly and the UK and India especially have political drivers that make this very attractive to revisit.

The UK now has an imperative to quickly find alternatives to the EU market, prior to starting negotiations on a new relationship. In the medium term the UK could emerge as a bridge between the Commonwealth and the EU which would benefit all parties. Everyone needs to move quickly and protect and even grow the global economy, seeing the opportunities provided by recent changes to act as a catalyst for growth in a changed world.

Is there a role for UK free trade ports?

A country can designate free port areas at selected sea, river or airports. The free port offers exemptions from national import and export duties for goods that are just passing through the port to be re-exported. There are both local and international advantages. The local economy gains from the increased demand for local labour, goods and services to support the free port and the flow of international trade is facilitated.

The UK should investigate the creation of free trade ports whilst still a member of the EU. The date which Article 50 is triggered to start the 2-year countdown for the UK departure from the EU is still uncertain. Free ports could be created while the UK is still an EU member to improve its bargaining position and to prepare it for the future.

Free ports could be created in regions of the UK needing economic redevelopment or areas at risk from the effects of Brexit.

Free ports and free trade zones are used successfully throughout the world. The [OECD](#) cites 4 types ranging from a simple free port which is just used to re-export goods, through to Special Economic Zones which provide an array of incentives including infrastructure, tax and custom exemptions, and simpler administrative procedures. These are often focused on specific industries such as media or textiles to give a boost to these sectors.

Free trade ports like Dubai's Jebel Ali are very successful and these could be created quickly in the UK so that Commonwealth countries could have tariff free access to mainland UK, during the period while it is still in the EU.

Increasing Commonwealth trade that's good for the environment

The Commonwealth is the largest association of states by land mass and includes 53 countries which span the globe; from India with a population of over 1.2 billion to Nauru in the Pacific with 10,000. The Commonwealth has a combined population of over 2.2 billion people (1 billion more than China) and over 60% are under 30. This all means that the Commonwealth has a huge and growing potential to increase global trade and its charter and track record can ensure that this can be done with a positive impact on the environment.

The Commonwealth was an early adopter of environmentally friendly policies. The Duke of Edinburgh was one of the first to address conservation issues with his prominent involvement in the World Wildlife Fund which was founded in 1961. This influenced Commonwealth countries' approach to the environment, for example in the creation of national parks, the protection of endangered species and the introduction of stronger environmental laws around the world.

The Langkawi declaration on the Environment in 1989 by the Commonwealth heads of government representing a quarter of the world's population was an environmental commitment from both the developing and developed Commonwealth members. This was followed up by the 2007 Lake Victoria Commonwealth Climate Change Action Plan.

The Commonwealth has only 10% of the world's crude oil reserves and so, as well as the cultural pressure for sustainability, there is also a pressing economic reason for efficient energy policies. Australia is one of the leaders in water conservation. The UK has been a leader in climate change legislation, for example 2008's introduction of binding targets to reduce greenhouse gas emissions.

Major companies' ethical sourcing commitments, such as those included in Marks and Spencer's Plan A, have helped make organisations more energy efficient, reduced wastage of natural resources and focused on the environmental impacts of manufacturing.

India is set to take over from China as the 'manufacturer for the world', with Africa having the potential to succeed it. This can either be done in an efficient sustainable manner or not. Increasing trade between Commonwealth members which have all signed up to the demanding principles laid out in the Commonwealth Charter can drive forward global trade and growth in a sustainable and ethical way. The creation of a Commonwealth Free Trade Zone would underpin this efficient, sustainable approach.

Increasing prosperity to reduce the pressures for economic migration

Uncontrolled migration was a major factor in the UK's decision to leave the EU. Time has yet to tell whether the negotiations the UK has with the EU will limit the free movement of workers once Brexit has been achieved. However, it's true to say that a major factor in the scale of the migration into the UK over the last few years has been the relative strength of its economy in comparison to those of many EU states.

Taking a more global perspective, armed conflicts and economic imbalances between nations are the two major factors driving the mass movement of people between countries and continents.

Economic migration is defined as the act of moving between countries to improve an individual's standard of living by gaining a better paid job in the destination country. It follows that improving economic development across the globe, increasing trade between nations and removing barriers to the free flow of goods and services, can make a direct impact on reducing economic migration. It may even make a contribution to reducing conflicts by binding nations more closely together into mutually beneficial economic relationships.

The EU, which began as the European Economic Community in 1958, was succeeding in its goals of achieving peace and prosperity throughout Europe until the shocks of the financial crisis created issues difficult to address. During its lifetime the EU has made an effort to address the wealth imbalances within the community. However, EU tariff barriers are bad for other regions of the world, not only reducing the options for trade, but also for economic development.

For example, in 2014 Africa generated nearly \$2.4 billion from its coffee crop. Compare this to Germany which processes raw coffee into 'added value' products. It earned \$3.8 billion from coffee re-exports in the same period. Non-decaffeinated, un-roasted green coffee is exempt from the EU tariffs, but a 7.5% charge is levied on roasted coffee imported into the EU from Africa. This not only reduces trade but consigns African nations to be mere raw material providers, making it harder for them to develop their economies by adding value.

The Commonwealth by contrast, has always had aspirations to be a free trade zone and as its 53 member nations span Africa, Asia, the Americas, Europe and the Pacific, the effect of creating a Commonwealth Free Trade Zone (CFTZ) will bring benefits to a much wider range of economies than is possible for the EU. Indeed, 31 of the Commonwealth's members are classified as small states and [the organisation's Charter](#) commits it to helping them develop. Increasing trade between members will support these development ambitions.

The UK's support for a CFTZ has been hamstrung by its membership of the EU for the last 40+ years. This has meant that the Commonwealth has focused on good governance and human rights without the economic clout which the EU wields. The positive result is that the Commonwealth gained 2 new members that had no historic links with the UK, but had a desire to show that they support human rights and the rule of law. This ethical focus now provides sound foundations for developing greater trade volumes.

The UK has an impressive track record of generous international development funding which has been maintained through the economic downturn. Whilst donation is good, the greatest legacy UK leaders could leave is to deliver tariff-free trade for the Commonwealth and especially its members that have developing economies. This would be a much better spur to economic growth and ultimately act on the pressures for economic migration across the world.

In Summary – the case for increasing trade with the Commonwealth

A Brexit-driven, renewed UK focus on increasing its own trade with the Commonwealth and on championing initiatives to support trade between other members, will have positive impacts for the global economy including financial and environmental benefits. Increased prosperity across the world will reduce the pressures driving economic migration.

The **'Support for Commonwealth Trade' (S4CT)** campaign is focused on three main initiatives that can make rapid positive impacts on Commonwealth trade volumes:

- The creation of a Commonwealth Free Trade Zone (CFTZ)
- Increasing Commonwealth trade via the adoption of eCommerce
- The role of UK free trade ports in enabling Commonwealth trade and how this could revitalise the UK regions

Find out more and support the campaign at www.s4ct.org

The Commonwealth - Key Facts

- Today's Commonwealth was founded in 1949
- Its roots go back to the British Empire when some countries were ruled directly or indirectly by Britain, but membership today is based on free and equal voluntary co-operation.
- There are currently 53 member states and the last two countries to join, Rwanda and Mozambique, have no historical ties to the British Empire.

Commonwealth population

- Commonwealth population is 2.3 billion, i.e. 1 billion more than China
- 60% of the population are under 30

Geographic area

- 29.9 million square kilometres i.e. 75% larger than Russia and covering almost a quarter of the world's land mass

GDP

- Commonwealth GDP is \$14 trillion compared to EU (including UK) \$19 trillion
- Commonwealth GDP is growing faster than the EU and is forecast to pass the EU in the next few years