3rd Regulatory Commonwealth Connectivity Cluster Meeting

Concept Note

23rd NOVEMBER – 8th DECEMBER 2020

1.0 BACKGROUND

Commonwealth Leaders adopted the Commonwealth Connectivity Agenda (CCA) at the Commonwealth Heads of Government Meeting (CHOGM) in April 2018 to boost trade and investment links across the Commonwealth and raise intra-Commonwealth trade to US$2 trillion by 2030. The CCA is structured around five working groups or 'clusters', participation in each being on a voluntary, opt-in basis, and which is chaired by a member state. The work programme is as follows:

- Physical Connectivity focusing on digital infrastructure, led by The Gambia;
- Digital Connectivity focusing on the digital economy and digital transformation, and co-led by South Africa and the United Kingdom;
- Regulatory Connectivity focusing on the regulatory environment for MSMEs and led by Barbados;
- Business-to-Business Connectivity focusing on improving Commonwealth business connections led by Bangladesh and co-convened by the private sector; and
- Supply Side Connectivity focusing on digital agriculture and digital fisheries led by Vanuatu.

Each of these cluster working groups provides a platform for exchanging policy experiences, capacity building and joint action where there is agreement on a shared response.

In October 2019, the Commonwealth Trade Ministers Meeting was convened for the first time in 14 years. Trade Ministers reflected on the work that had taken place to date and approved the Action Plan developed by the clusters, identifying the initiatives that each cluster will focus on over the several years. Ministers agreed that the Action Plan should be a living plan, responding to developments in the global environment and in Commonwealth cooperation. They, therefore, agreed that the plan should be periodically updated to take into account these developments, if necessary. The on-going Covid-19 pandemic has fundamentally changed the global trade environment and calls for urgent action to focus on areas of mutual support, institutional capacity building and joint action to support Covid-19 recovery.

2.0 THE IMPACT OF COVID-19

It has, already, become customary to refer to the impact of Covid-19 on international trade in superlative terms. At the start of the pandemic, the initial shock to the trading system was unprecedented. For the first time since the World Wars, international, regional, and much of domestic trade came to an abrupt, almost total stop. This resulted in dire predictions in the initial phase.

However, the latest forecast from the World Trade Organization is for a 9.2% decline in goods trade this year. This is more optimistic than their best case scenario at the start of the crisis when the predicted range of fall was between 13% and 30%.

However, this recovery has been uneven by sector- and therefore variable by country. Much of the turnaround in performance has been driven by international trade in essential products such as pharmaceuticals, textiles, i.e. textile facemasks and medical gowns, as well as computers and the circuits to make them. All other sectors experienced declines with automotive, travel goods, footwear, clothing and iron and steel being the worst performers in sequence.

While overall goods trade has not fared as poorly as earlier predicted, in the case of services, the limited available data shows that services trade has been in steep decline for this year. By June this year, services trade had declined to 2014 levels.[1] Individual services indicators expose the scale of the challenge. For example at the peak of the crisis, international commercial flights were only 20% of their January levels and at the end of the Northern summer in August had only recovered to 60% of their January volumes. This affects countries dependent on tourism but also affects the high value and/or perishable exports of all countries that tend to be air freighted, where passenger plane hold accounts for 70% of global air cargo. Further goods recovery for high-value export will depend on increasing this capacity.

Impact on Firms and Workers

Success in managing the health crisis has not been an indicator in the ability to prevent the economic one. While countries who have managed the health response relatively well have reduced the severity of the economic impact, the economic impact has still been severe as a result of, among other things, (a) a lack of ability for fiscal stimulus and/or (b) trade with countries who have not done as well. The economic crisis has also been regressive- affecting the poorest and lowest skilled more than their skilled counterparts.

The crisis has increased unemployment, inactivity, and reduced hours on a scale previously unseen. If all three elements are considered, the pandemic has resulted in the loss of 345 million full-time equivalent jobs, and worryingly this figure continues to increase over quarters.[2] According to IMF estimates,[3] in advanced economies, a quarter of workers received some form of wage support. For emerging and developing economies, this policy tool was unavailable and combined with limitations on remote working, has meant workers in these economies, particularly those in the informal sector, have been more severely affected.

The result is that the crisis will cause the number of people living in extreme poverty, that is on less than US$1.90 a day, to increase by 90 million, with a disproportionate impact on women who tend

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[1] World Trade Organisation, Trade shows signs of a rebound from COVID-19, recovery still uncertain, October 2020.

[2] International Labour Organisation Monitor: Covid-19 and the world of work Sixth Edition, September 2020.

[3] International Monetary Fund Fiscal Monitor, October 2020.

to work in services sectors which rely on human contact.[4] Despite the green shoots in some parts of the international trade data, we do not yet see signs of a possible jobs recovery.

A Long Road to Recovery

Equally concerning is that the current data suggests that the recovery will not be as short and sharp as predicted at the start of the crisis. At the beginning of the pandemic, the prediction by the WTO was for a quick 'V-shaped' recovery in international trade with 21% growth in 2021, bringing trade quickly back to pre Covid-19 levels. The latest projection, however, is that goods trade volumes will only grow by 7% in 2021, leading to a much slower and protracted recovery. The unknown at this stage is whether Covid-19 marks a permanent downward shift in the trajectory of growth of international goods trade, in much the same that international trade never recovered the growth trajectory that it was on before the 2008/2009 Global Financial Crisis.

3.0 OBJECTIVES OF THE 3rd CLUSTER WEEK

The 3rd Cluster Week presents an opportunity to reflect and reprioritise, sharpening focus on the areas within the Connectivity Agenda where Commonwealth countries can work together to support each other to emerge faster from the Covid-19 crisis.

4.0 CCA CLUSTER WEEK FOCUS AND AGENDA

The cluster week is being convened virtually for the first time, with some clusters opening up to the public for the first time, and sessions being shown live and, for colleagues where the time zone does not allow attendance, being available on-demand until the end of December.

- 23rd November: Business to Business Connectivity Cluster to convene a public-private high-level dialogue on private sector priorities focussing on a digital and green recovery.
- 26th November: Physical Connectivity Cluster to meet in a public format on *Addressing Digital Divides.*
- 1st December: Regulatory cluster to meet in their regular format on an *Enabling Environment to Support MSMEs.*
- 2nd December: Supply-Side cluster to meet in a public format on *Leveraging Technology for Food Security.*
- 8th December: Digital Connectivity Cluster to meet in their regular format.

5.0 EXPECTED OUTCOMES

The expected outcome of the 3rd Cluster Week is a Covid-19 reprioritised forward-looking agenda for Commonwealth trade and investment for mutual support through the Covid-19 recovery phase which can form the basis for continued technical exchanges among policymakers and regulators, tools to support this, institutional capacity-building and joint action where there is agreement on a shared response.

Contact: Connectivity Agenda

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[4] *ibid*