

Partnering for global growth

By DR MOHAN KAUL

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DR MOHAN KAUL was appointed to his present position in October 1997. Prior to his appointment to the CBC, Dr Kaul served as a Director and senior member of the Commonwealth Secretariat; United Nations adviser and Professor and Dean at the Indian Institute of Management (IIM), Ahmedabad. He has led International advisory and consultancy assignments in over 40 countries. He is also Chairman of Commonwealth Project and Finance Ltd and member of the Board and chair of Governance Committee of ICICI Bank (UK). He has a PhD in Management Science from the University of Paris-Sorbonne.

In 1997, Commonwealth Heads of Government Meeting (CHOGM) in Edinburgh asked the question – ‘is there a business case for the Commonwealth and what role should the private sector play in the CHOGM and in the Commonwealth’s wider agenda?’

To answer this, the first Commonwealth Business Forum was alongside the Heads’ meeting. It found that there was already US\$2 trillion worth of trade done between Commonwealth Countries, but that Investment flows between the members were minimal. The potential for growth was recognised to be phenomenal.

Since then the Commonwealth Business Council has held five more Commonwealth Business Fora and hundreds of national and regional trade and investment events across the Commonwealth. Since CBC’s founding in 1997 Commonwealth Trade and Investment has more than doubled. Commonwealth trade is now up from US\$2 trillion in 1997 to US\$5 trillion today, investment flows have reached nearly US\$300 billion a year and nearly all Commonwealth Countries are expected to display growth rates above the global average this year.

Over the last twelve years the CBC has worked with governments to help develop socially responsible market orientated economic policies, and with the private sector to bring investors to the newly emerging investment destinations. We have also worked with the private sector across the Commonwealth to help them develop world-class corporate and social responsibility policies and to participate in the achievement of the Millennium Development Goals and programmes like the Business Call to Action.

Reenergising Globalisation for Development

Through globalization we recognize that there are important shared interests between the developed and developing countries. It is not a zero-sum game. For example, there is vast potential to develop new markets and increase the purchasing power of developing countries.

In this context, it is timely to take a fresh look at the Commonwealth and its emerging markets. Commonwealth businesses are well positioned as leaders in sectors such as ICT, banking and financial services, energy, agriculture and natural

resource development. Increasingly the modern Commonwealth is defined by the emerging economies – for example India, Nigeria, South Africa, Malaysia, Trinidad and Tobago – these are new economic centres of excellence growing in importance alongside the UK, Australia, Singapore, New Zealand and Canada. The association is certainly not lacking in innovation and success. For this group of countries working to be together on trade and investment within the Commonwealth will not only help them directly, but will enhance the prospects of all 54 member states.

The Commonwealth Today

The Commonwealth, contrary to its image as an association based solely on its history, is a dynamic and vital association of societies with vibrant and growing private sectors. Today’s Modern Commonwealth is very different from the one created in 1949. Nearly 10 per cent of the Commonwealth is made up from countries that were never British Colonies; this is likely to increase over the coming years. The association, today, is underpinned by a set of strong values which govern the club and manage its membership.

In October 1997 following the Edinburgh Declaration, the Commonwealth developed a new focus on the economic, financial and business aspects of the association. The Commonwealth Business Council was set up to promote trade and investment, and to increase the role of the private sector in national economies. The Commonwealth is now seen differently, with the economic focus as a key driver for its existence.

The Commonwealth is essentially the global English speaking bloc, making up about 85 per cent of the population of countries with English as their first or official language. The fact that English is the global business language gives Commonwealth countries a significant comparative advantage and one which also favors intra-Commonwealth trade and investment. This is coupled with Commonwealth values of multi-party democracy, human rights, the rule of law, good governance, shared legal and administrative systems, an open media and market orientated economic policies. The Commonwealth is truly good for business.

There are over 20,000 listed companies in the Commonwealth and this number is increasing year on year. Over US\$4 trillion in trade happens within the Commonwealth every year and the Commonwealth has seen over US\$200 billion worth of investment over the last ten years. Even given these figures, the Commonwealth represents only 20 per cent of world trade and there is still enormous potential for economic growth.

While the financial crisis did result in a drop in Commonwealth trade, the preponderance of emerging markets in the Commonwealth and the growth rates they are achieving, trade should be on course to reach US\$6 trillion by 2015.

The Commonwealth Factor

The Commonwealth's unique selling point (usp) is not in its institutions but in its networks, values and the more elusive, but potent, 'Commonwealth Factor.' This derives from a common experience reflected in the similar administrative, legal, financial and business practices that members share. Its shared systems and language are estimated to reduce the cost of doing business between members by up to 20 per cent.

The impact of the Commonwealth Factor is best exemplified in Sub-Saharan Africa, according to the International Financial Corporation's (IFC) Doing Business Report 2011, 17 of the top 20 places to do business in Sub Saharan Africa are Commonwealth.

A high ranking on the ease of doing business index means the regulatory and business environment is conducive to the operation of business. This is one of the reasons why a number of African countries are now considering applying for membership of the Commonwealth.

Five Commonwealth countries, Singapore, New Zealand, United Kingdom, Canada and Australia are in the top 10 places to do business. Commonwealth countries have shown good progress, reforming to become better business destinations over the last few years. Rwanda's case is exemplary, rising from 158th in 2006 to 67th in 2010.

The Expanding Middle Class and Investment Flows

The Economist published an article titled 'the Burgeoning Bourgeoisie' in the February 2009 that detailed the on the expansion of the middle class over the course of the 90s and first five years of the 21st Century. The success of India and China in growing the number of middle income citizens is often recognised, but the 80 million new Sub Saharan Africans is less reported. This number is significant as it demonstrates the increasing economic development and the growing strength

of markets across Africa. Over the last 20 years the middle class in the Commonwealth has expanded by nearly 1 billion people.

Within the Commonwealth the major increases in middle class population are in India and Africa, which has not only led to the growth of internal markets but also an increase in intra-Commonwealth Trade between India and Africa. Trade between Africa and the Sub Continent has increased from less than US\$2 billion in 1991, to nearly US\$30 billion in 2007/08 (see figure 4) and more recent figures suggest that trade will increase to nearly US\$40 billion in 2010.

Investor confidence in Africa is demonstrated by a 16 per cent rise in capital flows to a record US\$62 billion in 2008, while foreign direct investment fell 20 per cent worldwide in the same year. Africa's increasing prosperity has led to greater interest in the Continent. The UK has always had a strong presence, while Canadian companies are taking a renewed interest; Canadian direct investment in Africa has more than doubled since 2000 and exceeded US\$4.5 billion in 2009.

Singapore, the Commonwealth's second largest financial hub, is also increasing its presence in Africa, between 1999 and 2009 Singapore's total trade with Africa grew by about 15 per cent. During 2008, in the midst of the financial crisis, Singapore-Africa trade was still valued at US\$7.49 billion, and Singapore remained the largest ASEAN investor country in the continent in terms of Cumulative FDI.


Australia's trade with Africa has grown steadily over the last ten years at an annual average rate of over 9 per cent. Australia's total merchandise trade with Africa was valued at US\$5.5 billion in 2008-09. Around 40 per cent of Australian mining companies' overseas projects are in Africa, and actual and prospective investment by Australian resource companies in Africa are estimated to be around US\$20 billion, spread across 38 African countries.

It is now widely recognised that Australian expertise and their approach to business are very welcome in Africa.

The Commonwealth: Partnering for Global Growth

Commonwealth emerging markets will now play a much greater role in the world economy; they will be net contributors to global trade and investment..

The appetite for investment in Commonwealth emerging markets has remained strong throughout the financial crisis and is getting stronger as investors look for larger returns than those which more mature markets are currently offering.

The Commonwealth is set to stay right at the heart of the global economy and will continue to attract a lion's share of global trade and investment. 

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