



Trade Hot Topics

Deepening Intra-Commonwealth Trade and Investment between the UK and Africa

Brendan Vickers, Salamat Ali, Neil Balchin and Kyle de Klerk¹

1. Introduction

The African Commonwealth countries² have a long-standing history of strong trade, investment and diaspora linkages with the UK. These economic relationships have been fostered over time as a result of historical ties, similar business procedures and legal systems, and the widespread use of the English language. Together, these 21 countries represent about 40 per cent of the continent's population and half of its gross domestic product (GDP). They also play a crucial role in driving international trade and investment flows from Africa. Between 2019 and 2021, approximately 45 per cent of the continent's global exports originated from these economies, while they absorbed about one-third of the total imports. Moreover, in 2021, these economies held close to half (46.4 per cent) of the continent's total foreign direct investment (FDI) stock. Beyond their economic significance resulting from their substantial collective market size, their broad geographical distribution across the continent provides UK firms with potential access points to markets of other African countries that are not part of the Commonwealth.

Bilateral trade and investment flows between African Commonwealth countries and the UK have followed a broader pattern of plateauing in recent years (Ighobor, 2020; Pantuliano and Mendez-Parra,

2022). From 2019 to 2021, the UK absorbed around 5 per cent of African Commonwealth countries' exports and supplied 2 per cent of their imports. In the same period, the UK contributed around 9 per cent of all greenfield FDI announcements in African Commonwealth countries, while investments from these countries accounted for only 0.2 per cent of equivalent announcements in the UK. However, the UK's development-friendly trading regime, including its new Developing Countries Trading Scheme (DCTS) and the organisation of UK–African Investment Summits, as well as expressed ambitions to expand trade and investment relationships with the emerging economies of the world, suggest a strong willingness to strengthen these economic ties. With the implementation of its post-Brexit trade policy, the UK has a significant opportunity to deepen its trade relationships with developing countries, including those on the African continent.

With the recent announcement that the UK prime minister will host a UK–Africa Investment Summit in London in April 2024, this issue of *Trade Hot Topics* explores the trade and investment linkages between the 21 African Commonwealth members and the UK. It also examines some of the key factors that are redefining these bilateral economic relationships.

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² The appendix contains a list of 21 Commonwealth countries on the African continent.

2. Examining UK–Africa trade linkages

2.1 Merchandise trade

In 2021, total trade flows (exports plus imports) between the UK and Africa were valued at US\$30 billion, with \$20 billion in exports and \$10 billion in imports. The bulk of this trade was between the 21 African Commonwealth countries and the UK. These countries accounted for two-thirds of Africa's exports to the UK, valued at \$13 billion, and half of Africa's imports from the UK, valued at \$5 billion (Figure 1). This highlights the significant role that the 'Commonwealth Advantage' plays in reducing trade costs and promoting trade flows between the UK and Africa (Commonwealth Secretariat, 2021). The average bilateral trade costs between the UK and the 21 African Commonwealth countries are notably lower than those with the other 33 non-Commonwealth countries in the same region (panel B of Figure 1, refer to Section 4.1 for details).

Over time, trade flows between the UK and African Commonwealth countries have fluctuated, reaching a high of US\$33 billion in 2012 and a low of \$14 billion in 2020, the latter owing to supply chain disruptions caused by the COVID-19 pandemic (Figure 2). Since 2015, trade values have plateaued at around \$18 billion annually, with some rebound in 2021. The fluctuations in trade values can be attributed to changes in the prices of commodities exported by African countries and increasing demand for commodities from other emerging markets, particularly China and India. This trade volatility and shifting trends reflect the dynamic nature of global trade.

The UK's share in the total trade of African Commonwealth countries has decreased in recent

years, falling from around 4 per cent in 2011 to approximately 2.5 per cent in 2021. This decline is noticeable in both the exports from and imports to the African region. However, despite fluctuations, these countries have maintained a positive trade balance with the UK, mainly because of a consistent export surplus.

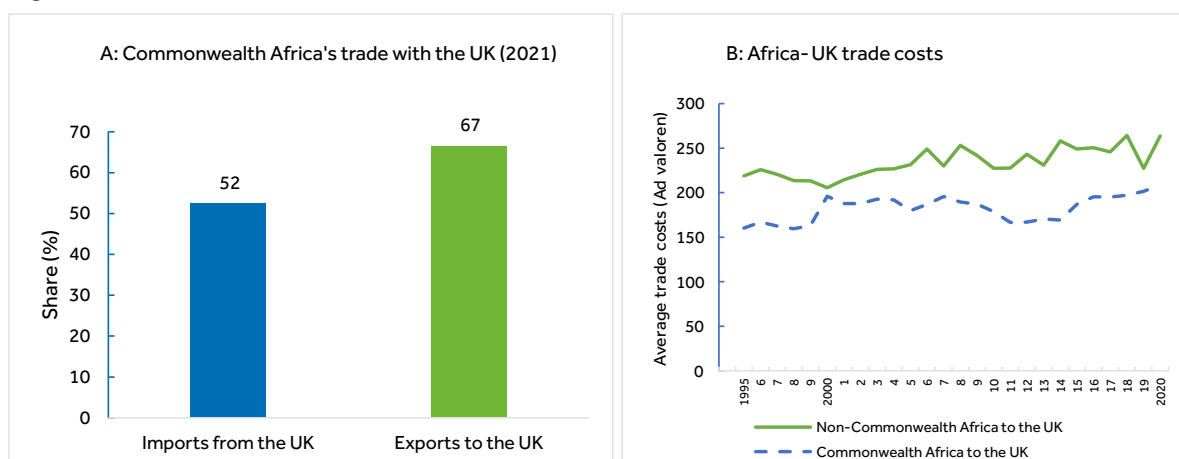
2.2 Concentration of Commonwealth–UK trade flows across markets and products

Trade between African Commonwealth members and the UK is heavily concentrated in particular markets and products. Geographically, the UK's two largest trading partners in this region are South Africa and Nigeria, which account for 90 per cent of African Commonwealth countries' exports to the UK and around 66 per cent of their imports from the UK. Ghana and Kenya are the third largest trade partners for the UK, for exports and imports, respectively (see Figure 3).

South Africa is the largest exporter in value terms among African Commonwealth countries to the UK, exporting goods worth US\$9 billion annually from 2019 to 2021. However, Seychelles (10.8 per cent) and Kenya (7.3 per cent) send a larger relative share of exports to the UK market (Table A1 in the Appendix). While South Africa and Nigeria are the two largest importers from the UK in absolute terms, Seychelles (3.8 per cent) and Sierra Leone (3.2 per cent) source a larger share of their imports from the UK.

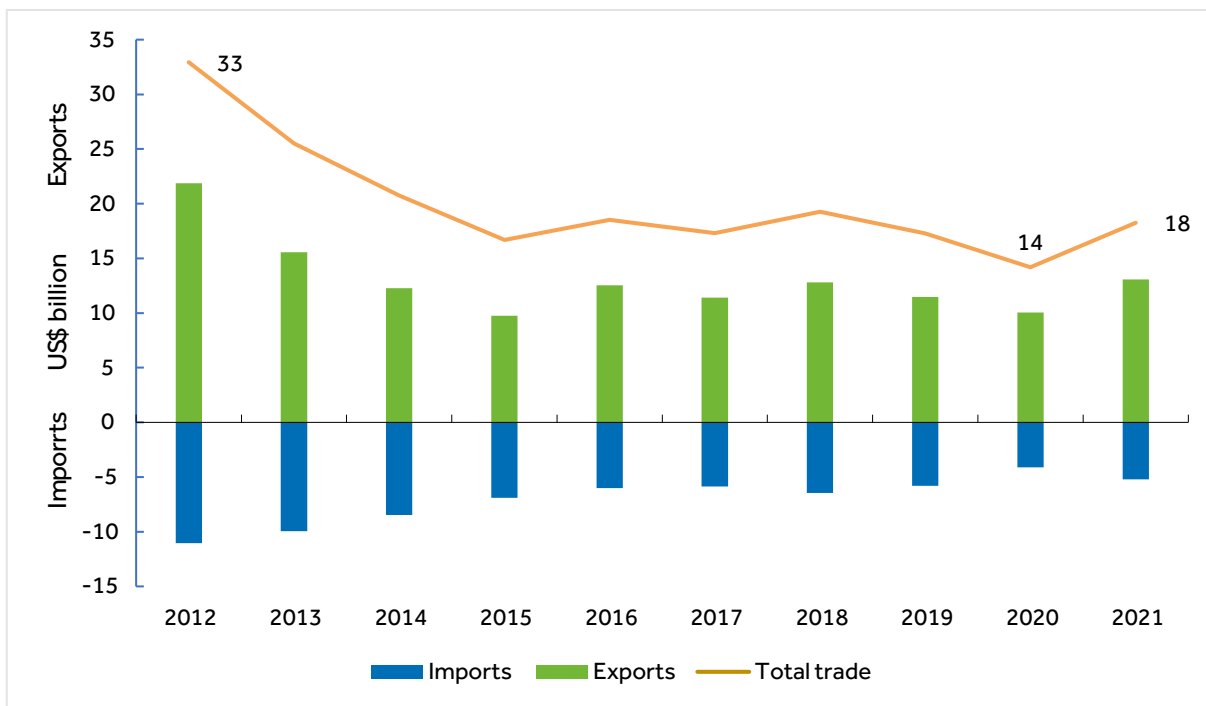
In addition to geographical concentration, trade flows between these countries are also concentrated in a few product categories. Industrial supplies (primary and processed) make up about 60 per cent of African Commonwealth members' exports to the UK and 20 per cent of their imports

Figure 1: Concentration of Africa–UK trade in Commonwealth countries



Source: Commonwealth Secretariat (calculated using data from UNCTADstat and UNESCAP).

Figure 2: Africa–UK trade linkages



Source: Commonwealth Secretariat (calculated using data from UNCTADstat).

from the UK, while capital goods (including their parts and accessories) are the second-largest import category from the UK (Figure 4).

2.3 Services trade

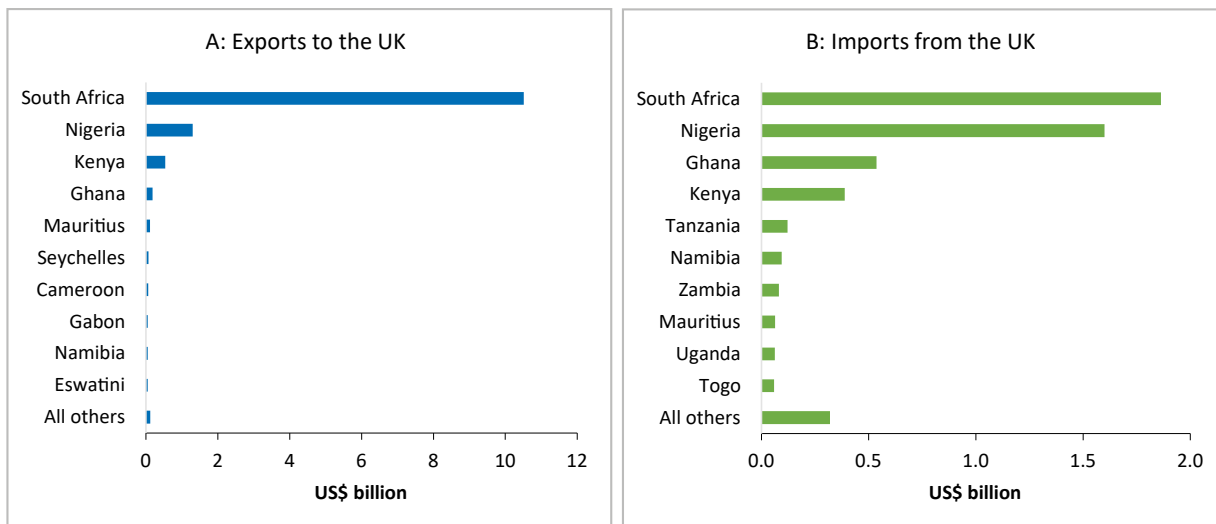
From 2019 to 2021, African Commonwealth countries’ services exports to the UK were worth US\$5.5 billion (12 per cent of their global services exports), and their services imports from the UK totalled \$8.19 billion (11 per cent of their global services imports). This contrasts with the smaller share of merchandise trade with the UK, which accounts for 3.3 per cent of global exports, or \$18 billion. Ghana, Kenya, Nigeria and South Africa are

significant trading partners for services in absolute terms. However, in relative terms, African island states such as Mauritius and Seychelles send a larger share of services to the UK, at around 25 per cent each. Although the share of services traded with the UK is larger than that of merchandise trade, there is significant potential to expand bilateral trade in this sector.

2.4 The UK’s trade preferences for African Commonwealth members

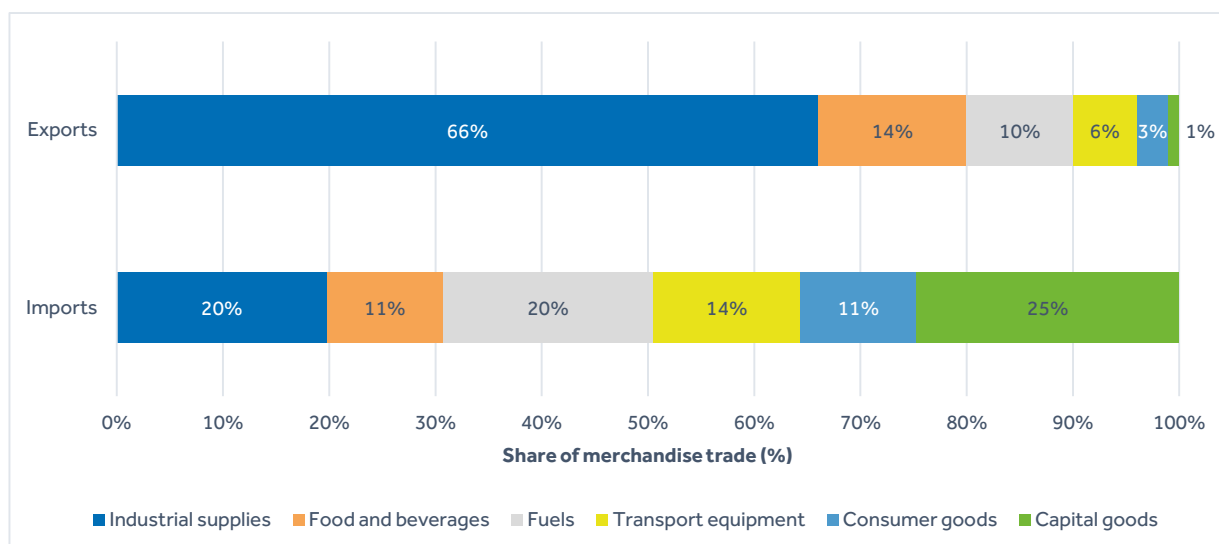
The UK’s new DCTS replaces its previous Generalised Scheme of Preferences (GSP) and is one of the most generous preference schemes

Figure 3: African Commonwealth countries’ reliance on the UK market for merchandise trade, 2021



Source: Commonwealth Secretariat (calculated using data from UNCTADstat).

Figure 4: Structure of African Commonwealth countries' trade flows with the UK, 2021



Source: Commonwealth Secretariat (calculated using data for Broad Economic Categories developed in UNDESA, 2016).

in the world. It benefits least developed countries (LDCs) by providing them with duty-free, quota-free (DFQF) access to the UK market on all products except arms and ammunition, and also provides DFQF access on 85 per cent of eligible goods to 18 additional countries or territories that the World Bank classifies as low-income and lower-middle-income.³ The DCTS offers simplified rules of origin (RoO) with more liberal product-specific rules and extended cumulation exclusively to LDCs, allowing them to participate in regional and global supply chains serving the UK. Additionally, the extended cumulation feature allows LDCs to benefit from trade agreements between the UK and other countries, creating further opportunities for trade (Mendez-Parra, 2022).

All African Commonwealth members, except Gabon, enjoy some form of trade preference in the UK market (see Table 1). The UK has also concluded negotiations on the Economic Partnership Agreements (EPAs) with the Southern African Customs Union⁴ and Mozambique (SACUM) and the Eastern and Southern African (ESA)⁵ states.

3. Unpacking UK-Africa investment linkages

In addition to international trade, African Commonwealth countries have strong bilateral investment ties with the UK. The UK has substantial FDI stocks in these countries, and they have also invested in various sectors in the UK.

3.1 UK–Africa bilateral FDI stocks and flows

African Commonwealth countries are significant destinations for the UK's FDI, with the combined value of the UK's outward FDI stocks in these countries reaching US\$38.3 billion in 2020, up from \$24 billion in 2012. This represents almost 60 per cent of the UK's overall outward FDI stock in Africa.⁶ The UK's investment stock in these countries has expanded over the past decade, with significant growth in the years preceding the COVID-19 pandemic (see Figure 5). Most of this investment stock is concentrated in a few countries, with more than two-thirds (68 per cent) invested in South Africa in 2020, and Nigeria (18 per cent), Mauritius (9 per cent) and Kenya (3 per cent) hosting the next largest shares (see Figure 5).

The UK has become an increasingly important investment destination for some African Commonwealth countries, with the outward FDI stock invested by these countries in the UK growing significantly over the past decade. As of 2020, the total outward FDI stock reached US\$50.4 billion. South Africa holds the majority of this stock at 52 per cent, followed by Mauritius at 42.3 per cent. Smaller shares are held by Nigeria (4.7 per cent) and Zambia (1 per cent).

In recent years, a few African Commonwealth countries have attracted the bulk of the UK's outbound investment flows to Africa, which include

³ It does not apply to countries classified by the World Bank as upper-middle-income for three consecutive years, or to low-income and lower-middle-income countries with a free trade agreement with the UK.

⁴ Botswana, Eswatini, Lesotho, Mozambique, Namibia and South Africa (www.gov.uk/guidance/summary-of-the-sacum-uk-economic-partnership-agreement-epa).

⁵ Mauritius, Seychelles and Zimbabwe (www.gov.uk/guidance/summary-of-the-esa-uk-economic-partnership-agreement-epa).

⁶ These and other numbers on overall FDI stocks and flows reported in this section are calculated using aggregations of bilateral data provided by the United Nations Conference on Trade and Development (UNCTAD).

Table 1: UK's trade preferences for African Commonwealth countries

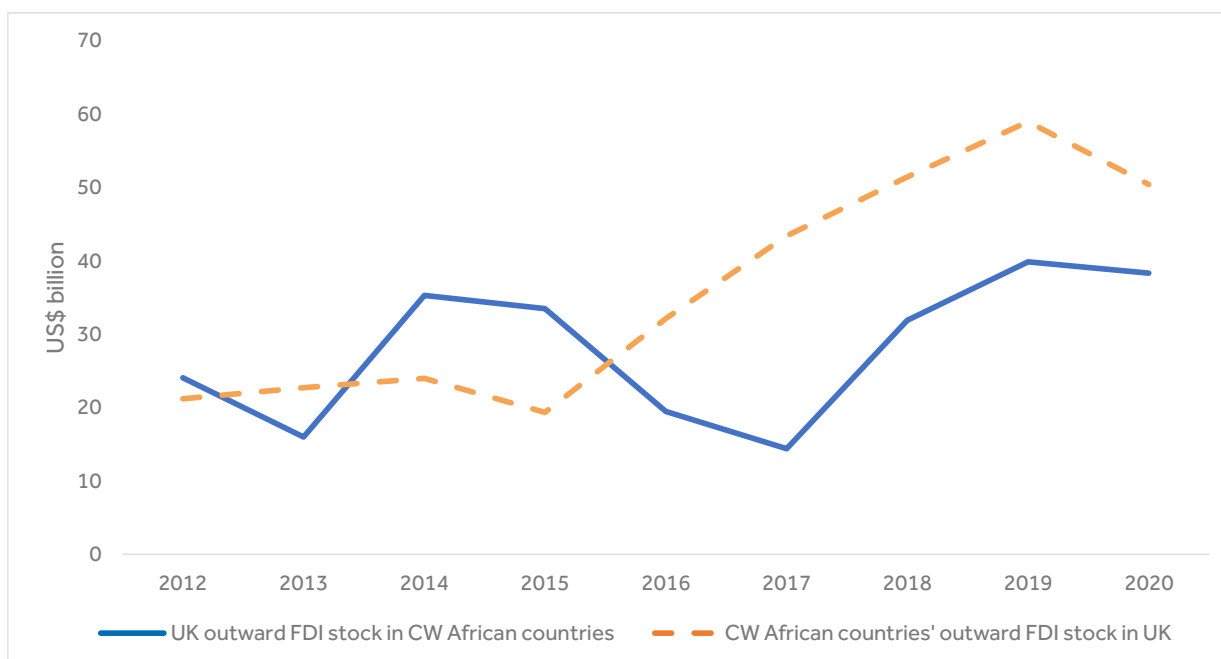
Country	Development level	Trade preference scheme	
		Current	Pre-DCTS
Botswana	Developing	EPA	EPA
Cameroon	Developing	EPA	EPA
Eswatini	Developing	EPA	EPA
Gabon	Developing	MFN	MFN
The Gambia	LDC	DCTS (CP)	EBA
Ghana	Developing	EPA	GSP & EPA
Kenya	Developing	EPA	GSP & MAR
Lesotho	LDC	DCTS (CP) & EPA	EBA & EPA
Malawi	LDC	DCTS (CP)	EBA
Mauritius	Developing	EPA	EPA
Mozambique	LDC	DCTS (CP) & EPA	EBA & EPA
Namibia	Developing	EPA	EPA
Nigeria	Developing	DCTS (SP)	GSP
Rwanda	LDC	DCTS (CP)	EBA
Seychelles	Developing	EPA	EPA
Sierra Leone	LDC	DCTS (CP)	EBA
South Africa	Developing	EPA	EPA
Tanzania	LDC	DCTS (CP)	EBA
Togo	LDC	DCTS (CP)	EBA
Uganda	LDC	DCTS (CP)	EBA
Zambia	LDC	DCTS (CP)	EBA

CP = Comprehensive Framework; SP = Standard Framework.

MAR = Market Access Regulations: Kenya was trading under this with the UK before it entered into an EPA in 2020.

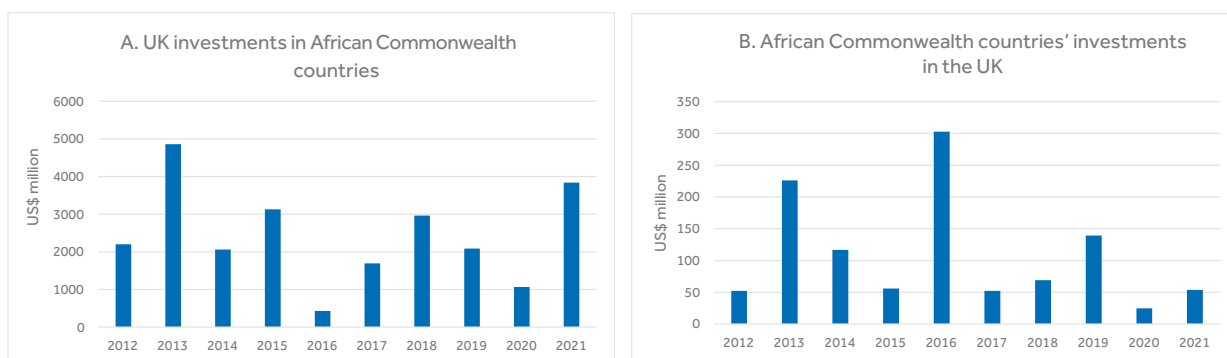
MFN = Most Favoured Nation.

Figure 5: UK–African Commonwealth outward FDI stocks, 2012–2020



Source: Commonwealth Secretariat (Calculated using UNCTAD data on bilateral FDI stocks).

Figure 6: Greenfield FDI flows between the UK and African Commonwealth countries, 2012–2021



Source: Commonwealth Secretariat (calculated using fDi Markets data, from the Financial Times Limited 2022).

cross-border mergers and acquisitions as well as greenfield investments. In 2020, net FDI outflows from the UK to South Africa amounted to US\$2.8 billion, while those to Nigeria and Kenya totalled \$347.4 million and \$56.4 million, respectively. These flows are known to be volatile and fluctuate significantly from year to year.

South Africa has dominated recent investment flows from African Commonwealth countries to the UK. In 2020, these investments amounted to just over US\$2 billion, up from \$404.6 million in 2019, and following three years of disinvestment from 2016 to 2018.

3.2 Productive greenfield FDI between the UK and African Commonwealth countries

Bilateral data on announced greenfield investments⁷ between the UK and African Commonwealth countries show that UK-based investors announced 33 greenfield projects with a total value of US\$3.8 billion in 2021. This is a sharp increase from 2020 and significantly higher than pre-pandemic levels (panel A in Figure 6). These investments were made across 11 Commonwealth countries, with the largest shares going to Mozambique, Tanzania, Zambia and South Africa. These accounted for 37 per cent of the UK's total intra-Commonwealth greenfield investment in 2021. Between 2019 and 2021, UK-based investors announced greenfield projects in 14 African Commonwealth countries (Table A2 in the Appendix) with a combined value of nearly \$7 billion.

In contrast, announced greenfield investments into the UK originating from African Commonwealth countries have been more modest over the past decade, with significant fluctuations year on year. In 2021, these investments amounted to US\$53.7

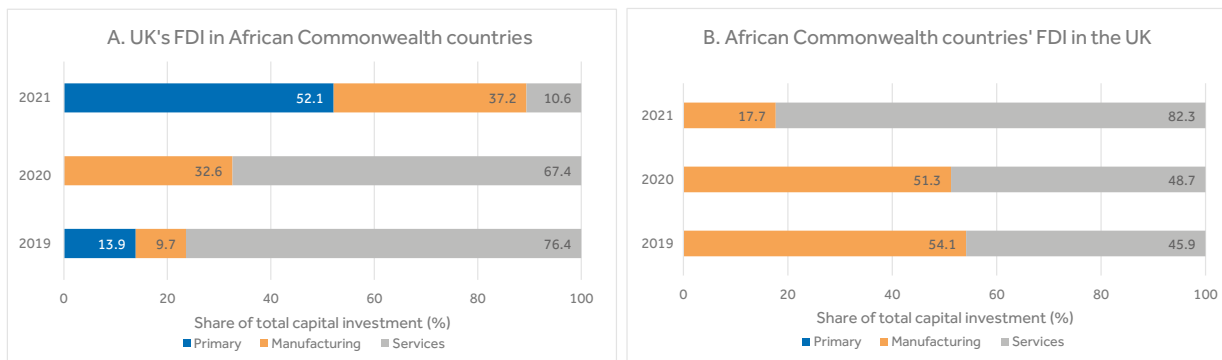
million from 12 projects announced by investors in Nigeria, South Africa and Zambia (see panel B in Figure 6). These investments were still below pre-pandemic levels in 2019 and accounted for just 0.7 per cent of overall intra-Commonwealth greenfield investment flows to the UK. Since 2019, investors from only four African Commonwealth countries – Nigeria, South Africa, Tanzania and Zambia – have announced greenfield projects in the UK (see Table A2 in the Appendix), with a combined value of \$141.2 million over the three years.

The sectoral composition of bilateral greenfield investments between the UK and African Commonwealth countries in recent years has partly reflected the shifting priorities and economic dynamics associated with COVID-19. In 2019, over one-third of UK greenfield FDI in African Commonwealth countries went into services sectors (panel A in Figure 7). However, since the start of the pandemic, a greater share of these investments has been directed into manufacturing and primary sectors. This may owe to pandemic-related disruptions to contact-intensive services, such as hospitality, travel and tourism, which affected exports of these services and undermined investment prospects in these sectors (Commonwealth Secretariat, 2021).

Recent greenfield investments in the UK from African Commonwealth countries have been concentrated in manufacturing and services. In 2019 and 2020, they were split fairly evenly across these two sectors. However, in 2021 the majority of the investment was directed towards services (82.3 per cent) (panel B in Figure 7). The shift towards services in 2021 may have been triggered by recovery from the COVID-19 pandemic and the opening-up of the UK economy, which significantly

7 These investments involve the initiation of a new venture in which a parent company builds its operations in a foreign country from the ground up (Commonwealth Secretariat, 2018). Greenfield FDI can be a key driver of job creation and technological upgrading in host countries (Commonwealth Secretariat, 2021).

Figure 7: Sectoral composition of greenfield investment flows between the UK and African Commonwealth countries, 2019–2021



Source: Commonwealth Secretariat (calculated using fDi Markets data, from the Financial Times Limited 2022).

lessened the pandemic-induced constraints on the provision of services, particularly contact-intensive sectors. It could also be indicative of longer-term implications of the UK's withdrawal from the EU and the post-Brexit reality that entry into the UK market for manufacturing products may no longer offer a foothold into the EU, especially for African manufacturing firms linked into complex supply chains involving both the UK and the EU.

In the past decade, greenfield investment projects from the UK have created 55,344 jobs in African Commonwealth countries. However, as a consequence of the pandemic, investment flows and associated job creation suffered a setback in 2020. The situation improved considerably in 2021, with 9,659 jobs created through UK-originating greenfield investments across 11 African countries. By comparison, greenfield investments from African Commonwealth countries in the UK have created a much smaller number of jobs – a total of 4,657 jobs over the past decade. In 2021, 293 jobs were created in the UK through 12 investment projects originating from Nigeria, South Africa and Zambia – more than double the number of jobs created in the early phases of COVID-19 in 2020 but still below pre-pandemic levels.

4. Redefining UK–Africa trade and investment linkages

Despite the strong economic relationships between the UK and several African Commonwealth countries, there remains great potential to further expand bilateral trade and investment flows. The trade costs advantage of operating across Commonwealth countries, the ambitious regional integration in Africa, the ongoing restructuring of supply chains, the increasing servicification of trade, and various multilateral, regional, and national initiatives are redefining trade and investment between these countries.

4.1 Harnessing and expanding the Commonwealth Advantage

Commonwealth countries enjoy lower trade costs (21 per cent lower, on average) when trading with each other compared with when trading with a country that is not in the Commonwealth (Commonwealth Secretariat, 2021). This trade cost advantage is also present in bilateral trade flows between the UK and African Commonwealth countries (Figure 1). Although the Commonwealth is not a formal trade bloc, the lower trade costs among Commonwealth countries are attributed to shared history, common language (primarily English), similar legal systems and administrative practices, and the existence of substantial diaspora networks. These dynamic networks have connected the UK with markets in African Commonwealth countries and have helped generate and facilitate trade and investment (Mendez-Parra et al., 2020).

These factors mean the UK and African Commonwealth countries are familiar places for firms looking to international markets or seeking to expand existing trade and investment relationships. The trade cost advantage for Commonwealth members will continue to provide impetus to spur recovery in trade and investment flows between the UK and African Commonwealth countries in the transition to the post-COVID era.

4.2 Leveraging the African Continental Free Trade Area

The establishment of the African Continental Free Trade Area (AfCFTA) will generate considerable opportunities to expand trade and investment on the continent (Vickers, 2022). The AfCFTA provides a platform for African countries to attract market- and efficiency-seeking FDI, both from within the region and from investors located elsewhere, including the UK (Chidede, 2020). It will also enable

African countries to better integrate into regional and global production networks, thereby enhancing their potential to attract investment in productive sectors. The AfCFTA Protocol on Investment, currently under negotiation, will help boost investment flows to African countries by developing provisions, frameworks and commitments on key investment governance issues, enabling convergence and coherence in business regulation across countries, and creating a common platform for African countries to undertake negotiations with third parties. This will provide a more conducive environment for deepening trade and investment by UK firms across the continent.

The UK is also a strong advocate and leading donor of Aid for Trade to help African developing countries and LDCs boost their regional and world trade. In 2021, the UK provided US\$103.5 million in Aid for Trade to Africa, of which more than half (\$55.7 million, or 53.8 per cent) went to African Commonwealth countries, particularly its largest bilateral trading partners (see Figure 3).⁸ By supporting the implementation of the AfCFTA, the UK can help strengthen trade governance on the continent, further reduce bilateral trade costs with African Commonwealth countries, connect formal and informal sectors, and create more opportunities for women and youths in these countries.

4.3 Restructuring global supply chains

A major shift is currently underway in global supply chains, as countries seek to increase resilience in the face of geopolitical conflicts, multiple economic crises, climate shocks, and food and energy insecurity, and work towards a green energy transition and a lower carbon future (Aiyar et al. 2023). This restructuring of regional and global value chains, characterised by nearshoring and reshoring, presents significant opportunities for African firms to serve the UK and EU markets.

In this period of changing structures and orientations of international trade, with increasing emphasis on environmental considerations, African Commonwealth countries have much to offer the UK in terms of goods and services, including garments; critical minerals and natural resources; renewable energy; horticulture; and business, health and transport services. Additionally, there are numerous opportunities for UK firms to invest in emerging sectors in Africa, such as health, climate adaptation, renewables and digital technologies.

African countries collectively have a massive consumer market and significant potential to boost productive capacity, stimulating bilateral trade in manufactured goods, food products and services, drawing on the continent's abundant sources of renewable energy (wind, water, sunshine), human capital and natural resources. Moreover, African countries currently import machinery and electronics from other parts of the world; with the recent trade policy debate shifting towards nearshoring of supply chains, UK firms can leverage these opportunities.

4.4 Utilising post-Brexit trading opportunities

Most African Commonwealth countries have historically enjoyed preferential access to the UK market, but the utilisation of these preferences has generally been quite low, mainly because of the difficulty facing these countries in complying with the RoO requirements (WTO, 2017). As mentioned earlier, the UK's DCTS offers simplified RoO for LDC exporters. The new RoO regime allows products exported by LDCs to contain up to 75 per cent of non-domestic content and still qualify for preferential access into the UK market. This means LDCs can source inputs from the UK, EU and other DCTS beneficiaries and count these inputs as domestic content. In fact, all product specific rules can be met through the abovementioned alternatives, giving LDC exporters much greater flexibility in meeting RoO requirements (Mendez-Parra, 2022). A widening of the scope and use of preferences is one small step, but more can be done to eliminate tariff and non-tariff barriers, further liberalise and simplify RoO, and provide more active support to facilitate trade.

A renewed partnership in areas like financial services technology, where some African countries, like Kenya, Nigeria, Rwanda and South Africa, are already global leaders and pioneers, could help further develop mutually beneficial trade. Additionally, the UK could consider offering commercially meaningful preferences to LDCs in line with the WTO LDC services waiver (Primack, 2017).

⁸ Based on calculations using data on Aid for Trade provided through the Organisation for Economic Co-operation and Development's Creditor Reporting System.

4.5 Promoting and facilitating inward investment

Plurilateral discussions on the Joint Statement Initiative (JSI) on Investment Facilitation for Development by more than 110 World Trade Organization (WTO) members are heading towards a conclusion (WTO, 2022), and will have a bearing on investment flows between the UK and African Commonwealth countries. Several African Commonwealth countries and the UK are part of the JSI. These discussions cover ways to improve transparency and predictability of investment measures, streamline administrative procedures related to investment, promote international co-operation and facilitate the greater participation of developing countries and LDCs in global investment flows.

In terms of bilateral and regional trade deals, eight African Commonwealth countries are part of various EPAs, while 10 African Commonwealth LDCs enjoy DFQF access into the EU for everything but arms. These trade preference programmes serve as incentives to attract UK FDI to boost productive capacity within African Commonwealth countries. The UK's development finance institution, British International Investment (BII, formerly named CDC),⁹ has several projects in various African Commonwealth countries, and the bulk of BII's investments are in Africa (the continent received close to 60 per cent of all BII investments in 2021). The 2020 and 2024 UK–Africa Investment Summits in London also serve as crucial platforms for showcasing investment opportunities and fostering business-to-business connectivity between the UK and African nations.

However, to further deepen trade and investment linkages between the UK and African Commonwealth countries, there is a need to streamline investment procedures, improve investment promotion efforts and eliminate discriminatory regulations against foreign firms. By addressing these challenges, African countries can better attract FDI and leverage the trade preferences granted through these bilateral and regional trade deals.

4.6 Expanding services trade and digital connectivity

Services offer a new frontier for expanding trade between the UK and African Commonwealth countries. In the UK, services account for around

80 per cent of GDP, while African countries are gradually becoming more services-oriented economies. Owing to skills and staff shortages in many sectors in the UK, prices have risen and the competitiveness and quality of services have weakened. This has made African services exports to the UK more competitive. There is considerable scope to diversify the sectoral and geographical distribution of services trade between these countries.

With a growing middle class, rising incomes, youthful and expanding populations, and increasingly sophisticated consumption needs, African Commonwealth countries offer numerous investment opportunities in sectors where the UK enjoys a comparative or competitive advantage. These sectors include business, financial, insurance and professional services, as well as innovative new technologies and the digital economy (Mendez-Parra et al., 2020).

While services exports under mode 1 (cross-border supply) have seen growth, extensive restrictions remain for mode 4 (temporary movement of natural persons). However, policies that promote increased mobility of professionals between the UK and African Commonwealth countries, and that support digital delivery of services, can offer a win-win solution for growing cross-border provision of high-quality services. This is especially relevant in the healthcare sector, which faces staff and skills shortages in both the UK and African Commonwealth countries. Partnerships in a range of service sectors can help alleviate these challenges.

The recently agreed mobility provisions in the UK–Australia Free Trade Agreement offer a promising template for all trade agreement partner countries. Future agreements can build on this model to expand these provisions as part of existing EPAs. In addition, the expansion in digitally delivered services creates opportunities to leverage the power of digitalisation. Cross-country collaboration through the Digital and Physical Connectivity Clusters of the Commonwealth Connectivity Agenda provides an opportunity for the UK and several African Commonwealth member countries to work together to boost digital connectivity and grow digital trade. This platform allows countries to exchange best practices and experiences related to trade and investment, as well as undertake domestic reforms to create a conducive environment for digital trade. By leveraging these

opportunities, the UK and African Commonwealth countries can achieve mutually beneficial outcomes in the services sector.

5. Conclusion

Despite the adverse socio-economic impacts of the COVID-19 pandemic, the outlook for Africa-UK trade and investment is promising as countries begin to recover and chart courses for digital and green transitions, as well as adapt to the ongoing reconfiguration of supply chains. Many of the 21 Commonwealth countries in Africa offer large and dynamic markets for both trade and investment. By 2030, their combined GDP is projected to reach US\$1.75 trillion, a significant increase from \$1.2 trillion in 2021. Their collective populations are also expected to reach 700 million by 2030, up from 550 million in 2021. These developments indicate significant potential to deepen bilateral trade and investment linkages between the UK and African Commonwealth countries. By leveraging these opportunities, both parties can achieve mutual benefits and support economic growth in the region.

Despite historically strong economic ties between the UK and the African Commonwealth countries, there is untapped potential to expand and diversify trade flows, as evidenced by the recent decline in the UK's share of trade with these countries and the concentration of their bilateral trade in a few markets and products. Currently, four large countries – South Africa, Nigeria, Ghana and Kenya – account for the bulk of African Commonwealth countries' trade with the UK. Similarly, the UK's bilateral investment flows remain concentrated in a few large economies and regional hubs such as South Africa, Kenya and Nigeria. There is considerable scope to diversify the geographical and sectoral distribution of UK greenfield investment across the continent, including to a broader range of Commonwealth countries and into a wider array of sectors beyond extractives and selected manufacturing industries and services. Several African Commonwealth countries are rapidly emerging as key players in the development and adoption of technological solutions, particularly in areas such as fintech and agro-processing, creating new investment opportunities for both sides. Moreover, the dynamic international trade landscape, Africa's deepening regional integration and the UK's increased engagement with developing nations present numerous opportunities to renew and expand economic partnerships with the Commonwealth's African members.

To seize these opportunities, the governments of the UK and African Commonwealth countries, along with their private sectors, must seek to leverage the potential the AfCFTA presents. They can unlock the vast untapped potential by streamlining and simplifying trade and investment procedures and regulations, and capitalising on the extensive African diaspora networks. Mobilising diaspora savings, including through bonds or crowdfunding investment platforms, can create new business opportunities, connect investors and innovators, and build a solid foundation for revitalising Africa-UK economic relationships.

Large and more diversified investment flows between the UK and African Commonwealth countries can be mutually advantageous. UK companies' investments in African countries can boost productive capacity, enhance productivity and accelerate economic transformation. Meanwhile, firms from African countries can tap into the UK's advanced economy and diversified market. By embracing these measures and seizing the opportunities the AfCFTA presents, the UK and African Commonwealth countries can foster long-term, sustainable economic partnerships that contribute to the region's development and create mutual benefits for both sides.

6. Appendix

Table A1: African Commonwealth countries' merchandise trade with the UK, 2019-2021 average

Country	Exports (2019-21 avg.)			Imports (2019-21 avg.)		
	World	UK (US\$ billion)	UK share (%)	World	UK (US\$ billion)	UK share (%)
Total	255.07	11.53	4.52	245.89	5.04	2.05
<i>Of which</i>		-			-	
Botswana	4.92	0.01	0.23	5.90	0.02	0.38
Cameroon	5.10	0.06	1.12	6.84	0.06	0.81
Eswatini	2.58	0.04	1.42	1.61	0.01	0.34
Gabon	6.45	0.02	0.35	2.12	0.04	2.00
The Gambia	0.24	0.00	1.77	1.49	0.04	2.43
Ghana	14.88	0.25	1.67	17.57	0.47	2.66
Kenya	6.11	0.45	7.31	18.33	0.38	2.09
Lesotho	1.06	0.00	0.08	1.46	0.00	0.12
Malawi	0.90	0.03	3.13	1.44	0.02	1.25
Mauritius	2.29	0.13	5.69	4.17	0.07	1.74
Mozambique	6.10	0.02	0.30	12.74	0.09	0.67
Namibia	4.54	0.05	1.03	5.07	0.07	1.35
Nigeria	49.20	1.44	2.93	48.19	1.49	3.10
Rwanda	0.83	0.02	2.61	1.58	0.02	1.20
Seychelles	0.68	0.07	10.82	0.72	0.03	3.84
Sierra Leone	0.76	0.00	0.23	1.30	0.04	3.15
South Africa	128.49	8.89	6.92	81.98	1.90	2.32
Tanzania	6.25	0.02	0.30	12.87	0.13	0.99
Togo	2.53	0.00	0.07	11.10	0.05	0.41
Uganda	3.30	0.02	0.53	4.46	0.05	1.23
Zambia	7.88	0.01	0.18	4.96	0.08	1.58

Source: Commonwealth Secretariat (calculated using data from WITS).

Table A2: African Commonwealth countries' greenfield FDI flows with the UK, 2019-2021 average

Country	Inflows			Outflows		
	World	UK (US\$ million)	UK share (%)	World	UK (US\$ million)	UK share (%)
Total	26116.7	2328.9	8.9	6114.5	47.1	0.8
<i>Of which</i>						
Botswana	184.0	9.5	5.2	109.8	-	-
Cameroon	506.4	-	-	14.2	-	-
Eswatini	57.4	-	-		-	-
Gabon	1367.0	-	-	37.3	-	-
The Gambia	167.2	-	-		-	-
Ghana	2491.1	214.1	8.6	27.1	-	-
Kenya	2173.4	138.5	6.4	305.0	-	-
Lesotho	169.3	-	-		-	-
Malawi	147.6	34.7	23.5		-	-
Mauritius	141.9	47.1	33.2	1223.5	-	-
Mozambique	1323.7	737.7	55.7		-	-
Namibia	1865.9	-	-	325.5	-	-
Nigeria	6305.6	454.5	7.2	1275.1	15.4	1.2
Rwanda	606.9	16.0	2.6	27.8	-	-
Seychelles	166.8	-	-	47.2	-	-
Sierra Leone	102.7	45.3	44.1		-	-
South Africa	5523.2	231.5	4.2	3012.8	35.1	1.2
Tanzania	702.3	198.3	28.2	17.6	1.7	9.5
Togo	954.6	21.6	2.3	21.6	-	-
Uganda	522.1	113.8	21.8	-	-	-
Zambia	783.4	256.2	32.7	3.5	3.5	100.0

Source: Commonwealth Secretariat (calculated using fDi Markets data, from the Financial Times Limited 2023).

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International Trade Policy Section at the Commonwealth Secretariat

This *Trade Hot Topic* is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 56 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

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

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

- It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.
- It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.
- It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

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

Selected Recent Meetings/Workshops Supported by ITP

21 March 2023: Public event on Assessing the Business and Trade Dimensions of the 2022 Birmingham Commonwealth Games, in partnership with the UK's Department for Business and Trade. The event reflected on the legacy of the Commonwealth Games and explored how businesses can capitalise on the trade and investment relationships established during the Games.

16 November 2022: Public event on Enabling Climate Smart Trade and Investment: From Policies to Actions, organised for the ICC's Make Climate Action Everyone's Business Forum. The event examined how trade and trade policies can support climate action and how countries can integrate environmental and social considerations into trade agreements to achieve the SDGs.

2 November 2022: Public event on Maximising the Gains from Digital Trade: Solutions and Priorities for Developing Countries and LDCs, organised jointly with the Enhanced Integrated Framework (EIF) and hosted at the WTO in Geneva. The event reflected on lessons from country experiences and EIF projects, explored the concept of Aid for Digital Trade and identified innovative new ways to support LDCs, and particularly their MSMEs, to build capacity for digital trade.

31 October 2022: Joint Commonwealth Secretariat-UNCTAD workshop on Understanding the IPR-related Landscape for Graduating LDCs: Issues and Challenges. The workshop, hosted at the United Nations in Geneva, was attended by technical experts from the Centre for Policy Dialogue, United Nations Committee for Development Policy, ODI, South Centre, UNCTAD, WIPO and WTO, who discussed issues, challenges and opportunities related to intellectual property rights for graduating LDCs.

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