



IN BRIEF...

Reducing poverty by supporting trade

Sida is to concentrate more intently on trade support, as trade can generate the economic growth necessary for reducing poverty. Development cooperation makes it easier for the poor countries to integrate with global trade and improves their influence over international trade agreements. Many of the areas with which Sida works have natural links to trade issues, and now that Sida is intensifying its efforts, it intends to exploit such opportunities.

Why does Sweden support trade between countries?

International trade is vital to economic growth and poverty reduction. This is widely accepted knowledge and based on Sweden's own experience of benefiting from trade. Development cooperation plays an important part in strengthening the ability of the poor countries to take advantage of international trade.

In the short term, increased trade can sometimes have adverse consequences for the poor, and an important objective of development cooperation is to offset such effects.

For trade to be a gateway out of poverty, certain changes must take place: the poor countries must improve production so that they have something to export, and they must align their trade infrastructures with international parameters. The rich countries, for their part, must open their markets for imports from developing countries and stop subsidising their agriculture.

The poorest countries share of the world market has dropped from one

per cent to about 0.5 per cent. For them, increased trade would bring:

- access to a larger market
- greater competition, leading to better products and lower prices
- access to new technology

The Millennium Goals – a joint commitment

One of the most important departure points for international development cooperation is the Millennium Goals – and agreement amongst the world's countries to halve poverty by 2015. According to the eighth goal, they are to “To develop a global partnership by stimulating cooperation between rich and poor countries around development, the environment, trade and debt-cancellation”.

What does Sida do to promote trade for the developing countries?

Trade-related support is a priority concern for Sida.

Sida's current work within trade-related support trade can be divided into three categories, covering:

- initiatives directly linked to trade policy, and international rules and trade agreements
- initiatives designed to improve the private sector's capacity for exporting goods and services
- initiatives in other areas of operation for Sida that help to promote international trade (e.g. the development of the private sector, rural development, infrastructure, and research and innovations).

To strengthen its impact, Sida is to integrate the trade aspect into many of its activities, having decided initially to concentrate on five areas:

- Trade in agricultural products
- Power trade
- Transaction costs
- Trade development
- Research, education and policy processes

The guidelines for trade support are contained within Sweden's Policy for Global Development (PGU), Sida's appropriation letter, its policy for trade-related development cooperation, its strategies for cooperating with different countries and the Paris Declaration (drawn up for a more harmonized donor coordination).

The purpose of development cooperation promoting trade between countries is to solve the problems and exploit the opportunities that arise when goods and services cross national boundaries. The main focus is on Africa, as it is here that the needs are the most urgent.

What largely governs the choice of initiatives is the partner countries' own needs. Concentration on areas in which Sweden has comparative advantages, such as technical expertise, trust capital or whatever else makes Sweden particularly suitable as a donor is essential.

Trade in agricultural products

Many poor people support themselves on agriculture, and agricultural products are important export products for many developing countries.

Sida will therefore be targeting some of its initiatives towards the trade in agricultural products.

Such projects might involve removing technical obstacles (e.g. giving support to laboratories so that they may become accredited in accordance with international regulations) or sanitary and phytosanitary obstacles (e.g. requirements that fruit and vegetables are free from pesticides or other harmful chemicals).

Sida's involvement will help to build the capacity of its partner countries' public authorities and business sectors to give them the know-how and the institutional and physical infrastructure they need to pursue open trade in agricultural products. Sida will also help to improve its partner countries' ability to influence the standards, quality and otherwise, that are developed in different international contexts.

Power trade

An unreliable power supply is one of the greatest obstacles to economic growth in many African countries.

Sida has decided to contribute to the development of power-trade

between countries to make electricity supplies safe and cost-effective. This will also help to bring about the more sustainable use of natural resources, in that electricity is generated in countries with a surplus and exported to countries with a power deficit.

There are several reasons for Sida to invest in this area. The African countries require support in order to develop regional power markets and the necessary infrastructure. Sida has extensive energy programmes in several partner countries. Swedish organisations and companies have also a great deal of knowhow and experience of working internationally with power trade.

Support for more efficient trade procedures and transports

Sida contributes to projects designed to facilitate the handling of import and export goods. This includes support to capacity-building in the customs authorities (which have a vital function) and creating effective, predictable and transparent trade procedures.

Sida-support is also given to the transport sector in order to improve the basic conditions for trade. Transport accounts for much of the total cost of trade for developing countries and leads to the effective exclusion of many countries from international markets.

Trade development

Many companies, particularly in the poorest countries, are unfamiliar with the demands of regional and international markets, and are thus unable to adapt their products with

them; this also constitutes a serious obstacle to export and import.

Sida contributes to developing industrial and business capacity for exporting goods and services by concentrating on:

- institutions that give support to private sector to help them strengthen their ability to engage in international trade
- selected sectors, through either specific projects or broad-based programmes.

Sida has long experience of such initiatives, in part through the support it has given to the development of trade associations and member organisations. The demand for support in this area is large and growing.

Research, education and policy processes

Sida will be supporting projects designed to:

- contribute to the sustained development of the local capacity for analysing, formulating, negotiating and implementing a trade policy that promotes economic growth and poverty reduction
- make international trade part of the broader development agenda in Sweden's partner countries and to integrate it into their own poverty-reduction strategies
- help different public interests – especially business and civil society – have their say on the drafting of trade policies
- promote the production, dissemination and application of new, progressive research findings on international trade and development.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 20 88 64
sida@sida.se, www.sida.se