

# REDUCING POVERTY THROUGH TRADE

## CHALLENGES

Trade does provide economic benefits, but they may not reach the poorest people.

Trade can work at three basic levels to boost a country's growth and reduce poverty. First, the right policies encourage trade expansion in general, which helps generate income and provides a resource base for development. Second, governments can promote exports specifically in sectors that maximize jobs

and income. Third, they can help the poorest people – those who hardly participate in the formal economy – to become active participants in export activities.

Developing countries can face challenges at all these levels.





In many countries, the problem starts at the top. Policy-makers responsible for preparing development strategies do not often pay enough attention to integrating trade in their strategies. While there's a lot of rhetoric about how trade acts as an engine for growth, strategies still hamper, rather than promote, trade in many developing countries. And also, few blueprints exist that show countries how to reduce poverty through trade.

In addition, export sectors that could do most to reduce poverty aren't always included in national export strategies. To reduce poverty, it is the pattern of growth generated through trade that matters.

Therefore, growth must also occur in sectors where small producers can be integrated into the value chain of products and services.

Finally, poor communities do not usually have the business skills necessary to break into global trade. When it comes to seizing new business opportunities, poor people can suffer the disadvantages of little or no education, business training or connections to those who can help them start or expand a business in the formal economy.

## SOLUTIONS

- ▶ **Mainstream trade into poverty reduction strategies.** Governments have to start thinking about trade and poverty reduction together.
- ▶ **Promote “pro-poor” export sectors.** Identify and promote sectors, or “niches” in sectors, with good export potential, to which poor producers can bring their productive capacities.
- ▶ **Target poor communities for export assistance.** Facilitate business groupings between members of poor communities to overcome the disadvantages of acting alone. Also encourage matchmaking between experienced exporters and poor communities.
- ▶ **Provide key trade support services.** Small-scale producers have the will and capacity to do business, but they need good-quality public services — trade and market information, export training and networking opportunities — to integrate into markets.

## How ITC Can Help

- ▶ **The Export-led Poverty Reduction Programme** demonstrates, through pilot projects, ways to integrate poor communities into trade. The focus is on linking them with export chains of the products and services that they can supply. These include low capital-intensive sectors such as community-based tourism, light manufacturing, textiles, leather and agricultural products. ITC and local partners help producers organize themselves into groups for business training and assistance. ITC also builds awareness of their business development needs with trade support institutions and governments.
- ▶ **ITC helps develop promising sectors,** using powerful analytical tools to identify sectors with demand potential, supplemented by expertise in markets of interest to poor producers, such as commodities, textiles and services.