



## Economic development and employment

### Trade

#### The challenge

In many countries, involvement in international trade has made a significant contribution towards economic development and the reduction of poverty. Trade has enormous economic potential for these countries but also presents them with major challenges. The World Trade Organization Agreements and a host of bilateral and regional agreements increasingly aim to promote global and intraregional trade and to dismantle barriers to trade. Trade policy agreements and instruments lay down the framework for promotion and protection measures, transaction costs, and the relative prices of goods and services, thereby boosting the competitiveness of entire sectors. So far, the least developed countries have been largely unable to make use of the opportunities offered by global trade. They lack both supply capacity and the technical and strategic expertise to assert themselves in the face of international competition. Mechanisms to promote development must, therefore, be created and developed. It is important that agricultural trade receives special attention, because the agricultural sector is particularly important in terms of the Gross Domestic Product of developing countries and their political stability. Trade in agricultural goods also makes a contribution to rural development and food security.

#### Our approach

GIZ focuses on both shaping trade policy so that it promotes development and improves the entrepreneurial framework for boosting market orientation and competitiveness in the agricultural, industrial and service sectors. We develop the skills of policy-makers so that their positions in trade negotiations can be coordinated with the over-arching development goals of a particular country. On this basis, they are able to help shape international agree-

ments and provisions to their benefit. We give consideration to the coherence of trade policy with other areas of policy and to the possible disadvantages of trade agreements, such as the consequences for vulnerable population groups or for food security. In the process, we enable our partner countries to increase the competitiveness of their economic systems, to build on their comparative advantages, and to identify and make use of their trade potential.

We also support our partners in implementing trade agreements and deepening regional economic integration. To benefit from trade opportunities and an improved framework, they also need to strengthen their productive capacities in competitive sectors (see also Advisory Service publications on private sector development, supporting value chains, regional economic integration, and standards for sustainability and quality).

#### Our services

GIZ's work focuses on providing advice and training for political, economic and institutional decision-makers. Our partners in this process include, for example, ministries of trade, agriculture and finance, chambers of trade and industry, business organisations, companies, and civil society actors.

We offer the following services:

- Advising on development-oriented national and regional trade and investment policy and improving the negotiating position of our partners in international trade agreements:
  1. Analysing the potential impact on our partner countries of trade agreements such as the EPAs between the EU and the African, Caribbean and Pacific Group of States (ACP)



2. Providing legal advice on trade agreements and supporting the development of monitoring systems
3. Using the scope offered by trade policy to protect and promote sensitive sectors or to develop new industries
4. Promoting involvement by the private sector and civil society in formulating and representing their interests
5. Developing the skills of staff in state and private sector institutions to implement trade agreements

- Supporting our partner countries in preparing for possible EU accession
- Developing innovative approaches and instruments to promote and regulate trade, for example in order to harmonise technical standards, for protecting investments, or for trade in services
- Promoting development-oriented export and import procedures in partner countries; targeted strengthening of small and medium-sized enterprises
- Linking policy advice with activities aimed at developing productive capacities

### The benefits

GIZ promotes sustainable economic growth in developing countries by improving access to regional and global markets, making individual sectors more competitive, and diversifying the economy. Public- and private-sector actors in our partner countries benefit from capacity development and are equipped to represent their own interests appropriately and create a framework that will promote sustainable structures for trade, for example improved infrastructure and promotion programmes. This may include investment incentives and particularly the involvement of small and medium-sized enterprises in value chains. This enables these countries to make use of the opportunities represented by

international trade, to reduce risks, and to contribute to increased incomes, employment, and food security.

### An example from the field

Trade activities in Central Asia are relatively underdeveloped compared with those in other regions. Companies operating in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan in particular find it very difficult to overcome local barriers to trade. A further difficulty facing companies is that these countries are landlocked and lack the direct access to the global shipping routes that underpin international trade.

To improve competitiveness and create jobs, GIZ advises government ministries on reducing trade barriers, product requirements, and bureaucratic border formalities. We also support local businesses in complying with the quality standards required for export and on cutting their manufacturing costs. The introduction of what are known as ‘single windows’ also makes it easier to issue and process trade documentation. Across these four countries, there has been significant progress towards reducing administrative barriers to trade. For example, the number of documents needed for export and import in Kyrgyzstan and Tajikistan has been cut by 60 per cent. Meanwhile, the issue of internationally recognised certificates has simplified access to international markets for a wide range of Central Asian goods.

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