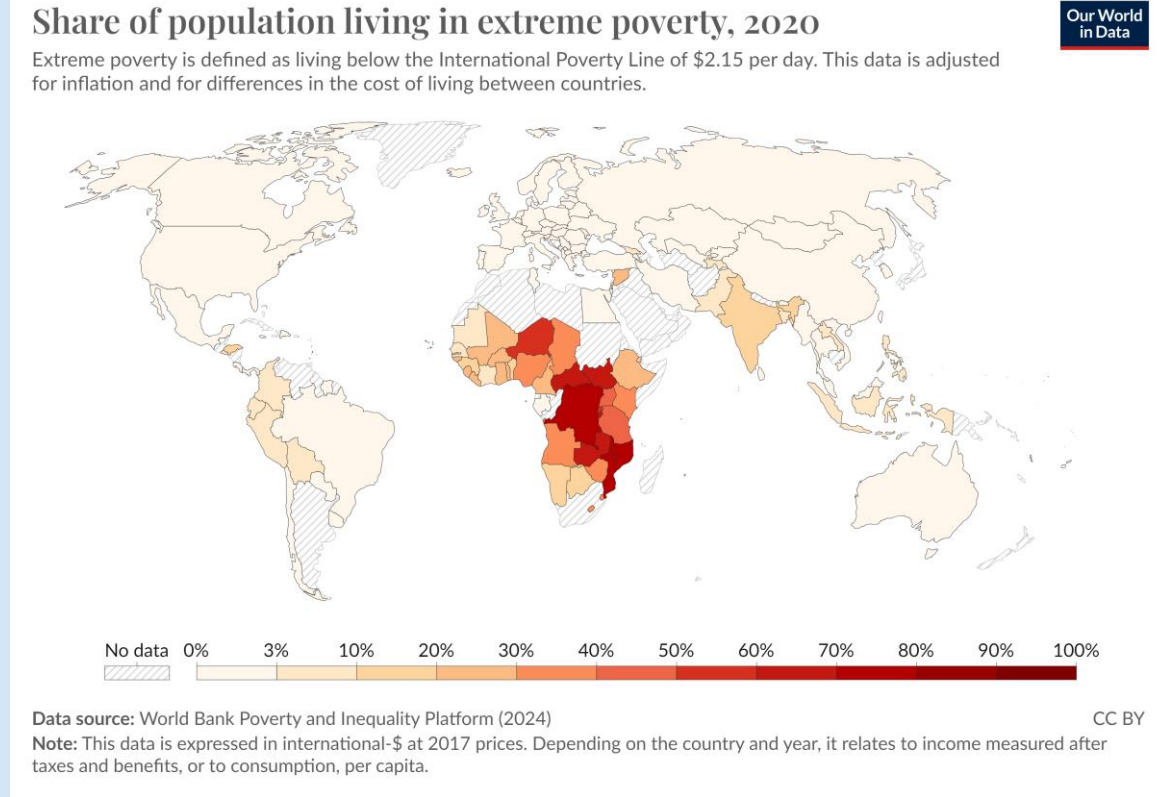
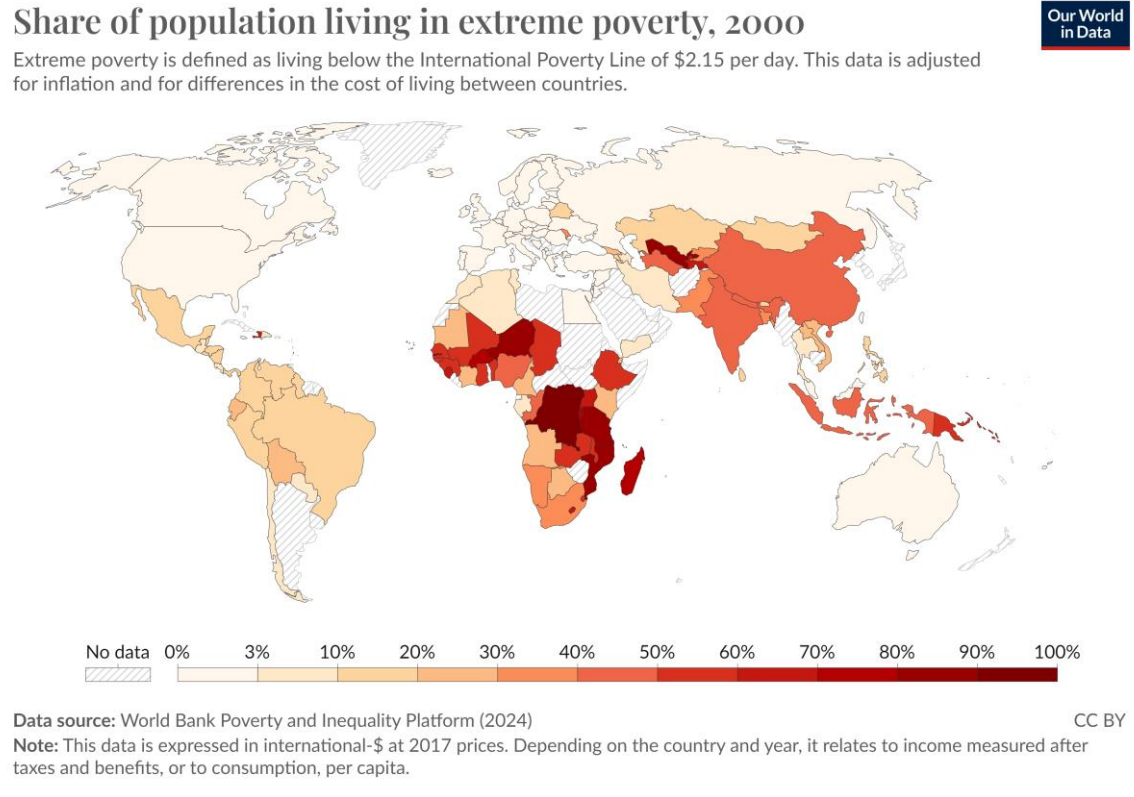


# Thematic Discussion 2: Trade, Finance, and the Challenge of Poverty Eradication

May 7<sup>th</sup> 2024



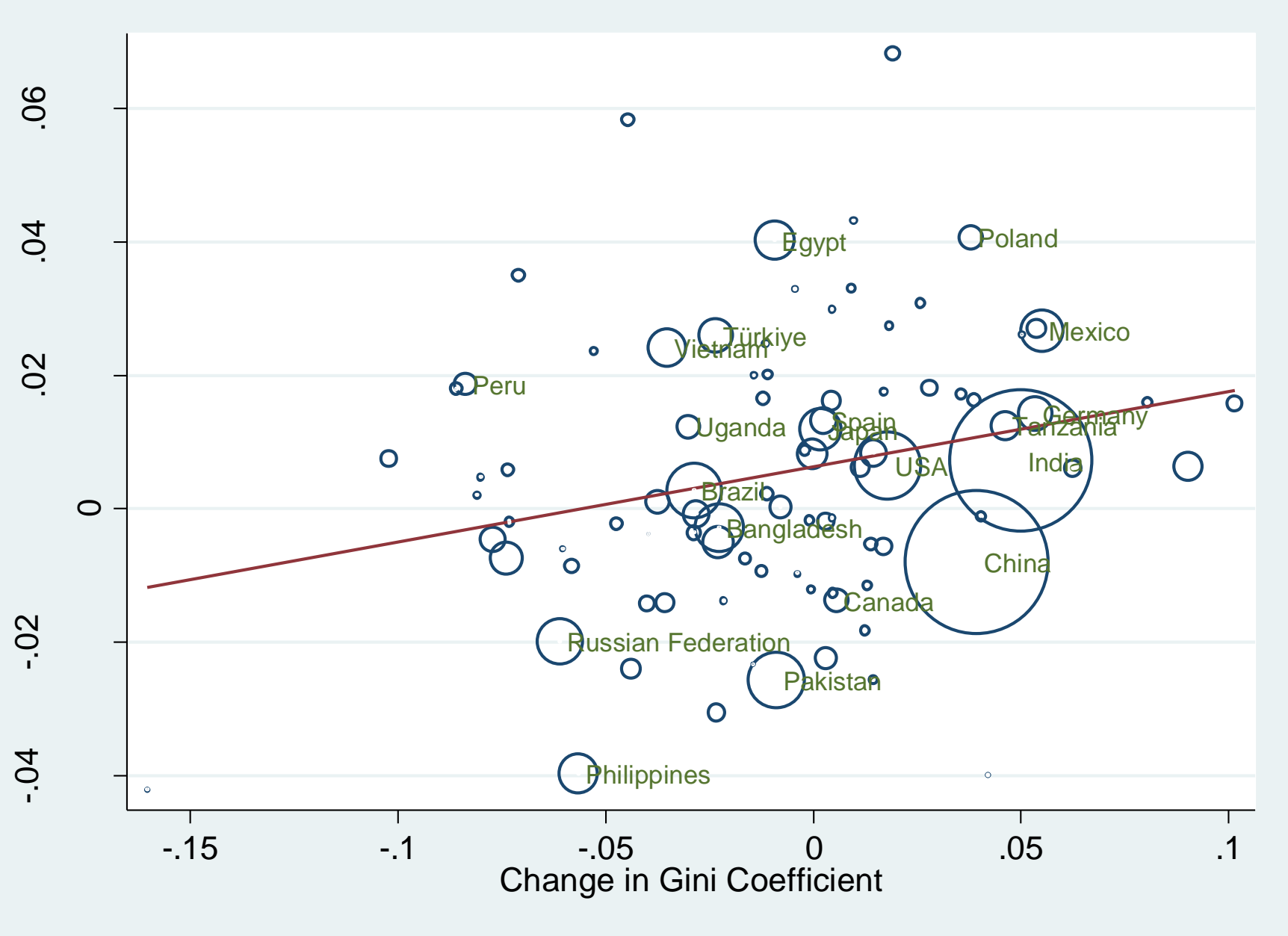


- Huge decline in global poverty during the last 20 years.
- But not so much in most of Africa
- A result of different development dynamics

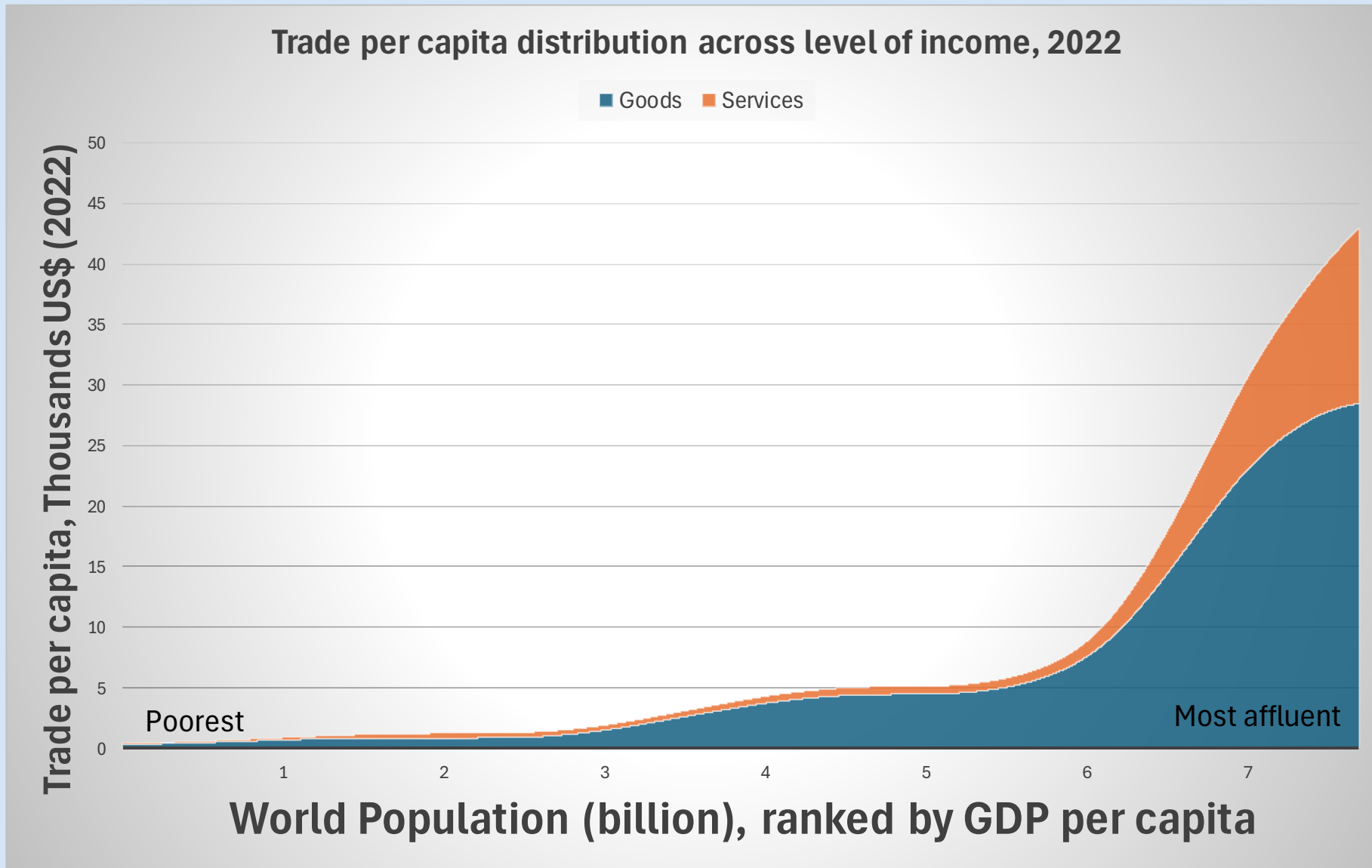
# Changes in exports vs GDP per capita 2000-2022



# Changes in trade openness vs inequality 2000-2022



# How many people are connected to international trade?





# What are the **linkages** between trade and poverty reduction

## Why the poor remain poor?

And how trade and trade policy can help removing the factors that contribute to poverty?

**Macro level:** stagnant economic growth; uneven economic growth; irregular economic growth.

**Micro level:** the poor lack of productive income generating activities:

- The **equal opportunity argument:** no opportunities to grow due to location, lack of skills, stuck in marginal activities and informal sectors.
- The **poverty trap argument:** remain poor not because they lack talent, but rather because they lack resources to escape a poverty trap.

**How Trade affects Macro and Micro determinants:**

- + **Economic growth**, rising tide lifts all boats.
- + **Sustained** economic growth. Less exposure to local shocks.
- + **Uneven** economic growth across sectors and skills. **Inequality**, rural/urban disparities, skilled premiums, gender wage gap, unfair trade, labor exploitations, child labor, ...
- ? **Micro:** Trade could provide additional opportunities, but not strong direct impact.



# What can be done to **strengthen** the **linkages** between trade and poverty reduction

What **never really worked** well for poverty reduction

Untargeted trade liberalization or badly devised trade integration strategies

What has worked but **may not work anymore**

East Asian miracle, manufacturing, export-oriented growth.

Harder to replicate because of: higher capital intensity of manufacturing trade, stronger global competition, high quality standards of traded products.

What **still works**

Good governance. Targeted trade openness. Investing export earnings. Competition policy.

Attention to managing domestic economies and societies, vs simply targeting export growth.

More attention to services trade, as international demand is growing.

Use trade links to increase SMEs productivity: technology transfers, ITC services.

Use trade earning for inclusive/redistributive policies. Skills development

# Take away points

- Trade directly links to economic growth, but only indirectly to poverty reduction.
- Past export-oriented poverty reduction episodes may not be easy to replicate.
- Government interventions are more important than ever.
  - Giving more attention of redistributive effects of trade and trade policy (inequality)
  - Improving domestic markets (positive spillovers, avoid market segmentation)
  - Increasing human capital (invest in people and trade related skills)
  - Allocating resources to poverty reduction programs (escape poverty traps)





# Thank you

Contact:  
[alessandro.nicita@un.org](mailto:alessandro.nicita@un.org)

