

## TASK FORCE: Trade

### Trade Can Be a Powerful Weapon in the War on Poverty

#### Task Force calls for rebalancing global trading system, more “Aid for trade” to make open markets work for poor countries

17 January 2005, New York—Opening up trade between developed and developing countries can be a powerful driver of economic growth, which is indispensable for reducing poverty. But making liberalization work for poor countries will require rebalancing a system that has mainly served the interests of wealthy nations, according to the UN Millennium Project’s Task Force on Trade.

The task force report—*Trade for Development*—released today is part of a detailed global action plan for fighting poverty, disease and environmental degradation in developing countries. It cautions that trade itself is no “silver bullet” solution, but that it can be a powerful weapon in the fight against poverty if accompanied by complementary changes in domestic and international policies.

The Task Force on Open, Rule-Based Trading Systems brought together trade experts from around the world who were led by **Dr. Ernesto Zedillo**, former president of Mexico and current director of the Yale Center for the Study of Globalization, and **Professor Patrick Messerlin**, director of the *Groupe d’Economie Mondiale* at the Paris-based Institute of Political Studies (and a special advisor to the World Trade Organization). They emphasized that developing countries have historically had much to lose and little to gain from participating in multilateral trade agreements.

“To make the trading system more balanced in favor of developing countries can offer opportunities for economic growth and poverty reduction, and for greater participation in making multilateral trade rules,” the report said. “Urgent efforts to complete the Doha Round by 2006 can realize these promises, long delayed since the Doha Development Agenda of 2001, but all countries need to act now.”

The task force report offered specific recommendations for actions that would make free trade more of an ally than an adversary for the developing world. Actions to make markets more open need to be coupled with actions to support developing countries’ capacity to participate effectively in global markets. These include:

- **Opening markets to developing-country agriculture exports** by rich countries committing to eliminate all tariffs on farm products by 2010, and **by abolishing trade-distorting export subsidies by 2010**, routinely used by industrialized countries to artificially lower the world price of farm commodities.
- **Opening markets for manufactured goods**, by rich countries committing to reduce tariffs to zero by 2015, and by developing countries committing to reduce tariffs by 2025. Rich countries should extend tariff free access to products of the poorest developing countries starting in 2005.
- **Making it easier for people in poor countries to work temporarily in rich countries:** trade in services can offer enormous potential gains for developing countries and developed countries must make progress on liberalizing labor rules.
- **Establishing a temporary “aid for trade fund” that would give developing countries the additional assistance they need** to comply with new trade rules; this includes support to compensate for lowering import duties, funding to help ease supply side constraints of infrastructure and to help adjust to the erosion in traditional preference agreements.

The report asserts that rebalancing the system to give developing countries greater influence will increase global growth potential and lead to a greater ability to defeat poverty in developing countries. According to the task force, there is no doubt that if developed countries opened their markets significantly more to developing countries, and developing countries continue to open their own markets, poverty would disappear more quickly, especially in low-income countries. The task force also argues strongly for strictly limiting WTO discussions to those issues that are directly related to trade, are in line with development objectives in the poor countries and could benefit most from a WTO agreement—suggesting that the Singapore issues of competition, investment and procurement, notably left off the Doha Agenda, should not be included in future trade negotiations.

According to task force members, the separate but related goals embraced by world leaders—to end poverty in the developing world through the Millennium Development Goal process and to extend the benefits of trade liberalization to poor countries through the WTO—present a rare opportunity for significant progress in 2005. However, they said, changes needed on the trade front are too ambitious to be left to trade negotiators alone, and political leadership on trade must come from high levels, including heads of state.

The task force report gives voice to the importance of trade to meet commitments forged in 2000 at the Millennium Summit, where world leaders agreed to make the fight against poverty—and all of its faces—in developing countries their priority. The summit inspired the Millennium Development Goals, which are built on the recognition that, from health to the environment, from education to gender equality, a growing list of development issues can no longer be managed solely within the boundaries of a single nation.

The task force recommendations for trade policy are part of the UN Millennium Project, which was commissioned by the UN Secretary-General in 2002 to develop a practical plan of action for enabling developing countries to meet the Millennium Development Goals and reverse the grinding poverty, hunger and disease affecting billions of people. As an independent advisory body directed by Professor Jeffrey D. Sachs, the UN Millennium Project submitted its final recommendations in January 2005.

The Task Force on Open, Rule-Based Trading Systems is one of 10 UN Millennium Project Task Forces that together comprise some 265 experts from around the world, including scientists, development practitioners, parliamentarians, policymakers, and representatives of civil society, UN agencies, the World Bank, the International Monetary Fund, and the private sector. The UN Millennium Project Task Force teams were challenged to diagnose the key constraints to meeting the Millennium Development Goals and present recommendations for overcoming the obstacles to get nations on track to achieving them by 2015.



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