

UN Inter-Agency Network on Women and Gender Equality  
Task Force on Gender and Trade

Trade and Gender  
**Opportunities and Challenges  
for Developing Countries**

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## *Preface*

Few causes have been as persistently advocated in the history of the United Nations as that of gender equality. Equal rights between men and women are enshrined as a fundamental human right in the UN Charter, and many international conferences have been held to further that goal. The outcomes of these conferences have been reflected in various internationally agreed instruments, the most important of which are the 1979 Convention on the Elimination of All Forms of Discrimination against Women and the 1995 Beijing Declaration and Platform for Action.

Notable progress has been achieved in some areas. Women's participation in the labour force has increased in most regions of the world; women's education, at the primary, secondary and university levels, has also improved significantly; and there are signs of a narrowing of the wage gap between men and women in many countries (most of them industrialized). However, in most nations women are still at a disadvantage in terms of their role and position in the economic and political arenas.

Against this background, the forces of globalization, of which international trade is one of the most important channels, may bring additional challenges and opportunities. Questions arise as to how the costs and benefits of trade can be evenly distributed by gender, and whether trade rules and policies deepen, or, on the contrary, reduce existing gender inequalities. There is therefore a need to assess the impact of trade on gender equality in order to assist countries in designing appropriate strategies and policies to support the objective of gender equality in the context of an open multilateral trading system.

It was with the dual objectives of deepening the understanding of the gender dimension of trade and identifying policy challenges and responses to meet the goal of gender equality that, in February 2003, the UN Inter-Agency Network on Women and Gender Equality created a task force on gender and trade, of which UNCTAD was designated task manager. The Task Force comprises UN agencies and regional commissions, the World Bank, WTO, OECD and the Commonwealth secretariat.

## *Preface*

Various members of the Task Force have been studying the interconnections between trade and gender from different perspectives. Some of the findings of the analyses undertaken by UNCTAD, FAO, UNIDO, OHCHR, ITC and UNIFEM are published in this book. As the subject is novel and complex, a variety of views are expressed, which are not necessarily those of the Task Force or of the United Nations. Rather, the objective is to identify and review some complex technical issues with a view to sensitizing policy-makers on the importance of these issues, fostering discussion among experts and providing a good basis for consensus-building.

The eleventh session of the United Nations Conference on Trade and Development (UNCTAD XI) in June 2004 is an important forum for debating the policy implications of the trade and gender nexus. It is hoped that this publication will help policy-makers reinforce the role of trade as an instrument for truly inclusive development, and in the process ensure the equal rights of men and women to earn a decent living.

Geneva and New York, 14 April 2004



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The WTO secretariat informally contributed with technical comments on different chapters. Helpful comments were also received from the World Bank and WIPO. Given the novelty and complexity of the subject, the papers included in this volume do not necessarily reflect the views of the United Nations, or a shared view by all of the members of the UN Inter-Agency Task Force on Gender and Trade.

Research assistance was provided by Melanie Bauer, Abril Frayre de la Torre, Iris Kubina. Praveen Bhalla was responsible for language editing. Desktop publishing was carried out by Lori Hakulinen. The cover was designed by Diego Oyarzun.

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## Abbreviations

ACP	African, Caribbean and Pacific (group of countries)
ADB	Asian Development Bank
AGOA	African Growth and Opportunity Act (of the United States)
AoA	Agreement on Agriculture (WTO Agreement)
ASEAN	Association of South-East Asian Nations
ATC	Agreement on Textiles and Clothing (WTO Agreement)
CBD	Convention on Biological Diversity
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
COMESA	Common Market of Eastern and Southern Africa
EBA	Everything-But-Arms (Initiative of the EU)
EPZ	export processing zone
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services (WTO Agreement)
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
ICT	information and communication technology
ILO	International Labour Office (or Organization)
IMF	International Monetary Fund
IPR	intellectual property right
IT	information technology
ITC	International Trade Centre, UNCTAD/WTO
ITU	International Telecommunication Union
LDC	least developed country
MDG	Millennium Development Goal
MERCOSUR	Southern Common Market
MFA	Multi-Fibre Arrangement
MFN	most favoured nation
NAFTA	North American Free Trade Agreement
NGO	non-governmental organization

*Abbreviations*

NTAE	non-traditional agricultural export
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
RTA	regional trade agreement
SPS	sanitary and phytosanitary
TBT	technical barrier to trade
TNC	transnational corporation
TRIMs	trade-related investment measures (also a WTO Agreement)
TRIPS	Trade-Related Aspects of Intellectual Property Rights (WTO Agreement)
UDHR	Universal Declaration of Human Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WSIS	World Summit on the Information Society
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

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# INTRODUCTION

*“The issue of inequality relates centrally to the disputes over globalisation. A crucial question concerns the sharing of the potential gains from globalisation, between rich and poor countries, and between different groups within a country.” Amartya Sen*

The objective of promoting gender equality in international trade relations – the core of the trade and gender debate – is one of the cornerstones of the reflections and efforts to achieve an inclusive form of globalization, or in the words of the ILO World Commission on the Social Dimension of Globalization, a “globalization which puts people first; which respects human dignity and equal worth of every human being”. Indeed, gender equality is a shared goal of humanity, enshrined as a fundamental human right in the United Nations Charter and many other international conventions and declarations.

The question of gender equality has multiple implications in the economic, social and cultural spheres because of women’s roles both as economic agents and caretakers of families and communities. Gendered social norms derived from the sole consideration of the reproductive role of women have tended to limit their status in both the economic and political arenas, thus perpetuating gender inequality in society. Trade, while an essentially economic phenomenon, has, nevertheless, significant consequences for social, and particularly gender, equality. For example, trade can positively influence the distribution of income between men and women, by creating new employment and business opportunities. However, as women’s vulnerability to adverse shocks is exacerbated by existing inequalities, any negative impact of trade liberalization and attendant adjustment costs is likely to be felt more by women than men. In addition, international trade and investment often have a significant impact on labour markets and working conditions, affecting women in particular because of their generally lower skills and weak bargaining power.

## Introduction

The United Nations Inter-Agency Task Force on Gender and Trade, established in 2003, faces a major challenge in terms of grasping the complexities of the trade and gender nexus and exploring policy measures which could promote gender equality in international trade relations. To this end, various members of the Task Force have undertaken analyses of the trade and gender *problematique* from different angles: economic, legal and social. The variety of views contained in this volume reflect the multifaceted and complex nature of the gender dimension of trade.

The volume approaches the issues from three main perspectives. First, it reviews the impact of trade liberalization on gender equality, looking at the experiences of developing countries with specific reference to three key sectors: agriculture, textiles and clothing and services. Second, it explores the impact that existing multilateral trade rules have on the pursuit of gender equality. In this context, it specifically addresses the interface between human rights obligations and trade rules as well as the linkages between intellectual property norms and gender issues. Finally, a number of concrete approaches to improving the gender sensitivity of both international trade activities and policy-making are examined. These include an exploration of “gender trade impact assessment” as a tool to ensure gender-conscious trade policy formulation, a review of some capacity-building experiences targeted specifically at women, an examination of information and communication technologies as empowering tools for women traders, as well as an analysis of the gender dimension of fair trade and other corporate social responsibility initiatives.

The views expressed in this volume are varied and no straightforward conclusions can be established. Nonetheless, with regard to the developing countries’ experiences reviewed here, it can be said that international trade has, in a number of cases, contributed to the redistribution of income in favour of women. This is generally due to the numerous employment and business opportunities created by trade in the manufacturing and services sectors. As a result, not only is the status of women in society and within their households enhanced by their capacity to earn income, countries as a whole also benefit from women’s work as it significantly contributes to export competitiveness and industrial diversification. However, there are

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cases where women, in particular poor women, have been made worse off. For instance, in the agricultural sector, groups of women often suffer from increased marginalization as a consequence of the growing competition brought about by trade liberalization, combined with their difficulties of access to land and other resources.

Thus, the gender impact of trade needs to be appreciated at a country- and sector-specific level. Female workers are often preferred in labour-intensive industries because they are considered as cheap and flexible labour. As the barriers to entry in the labour-intensive industries are often low, competition is fierce and is driven by the search to reduce costs. Given the existence of a large cheap labour surplus in developing countries, the entry of low-skilled women in the labour market further increases the supply elasticity of labour, and contributes to keeping wages low. Export volumes may increase, while the terms of trade of labour-intensive exports, as compared with higher technology exports, may deteriorate.

Under these circumstances, has trade contributed to reducing gender inequality? As mentioned above, a redistribution of income within the households has enhanced the status of women. But gender inequalities often persist in the form of wage gaps, job segregation (women being confined to low-status jobs), and weak access to basic services (such as health and education) and resources. Attention also needs to be paid to the risk of worsening conditions of work for women because of the greater flexibility of working arrangements. As the chapters on agriculture, textiles and clothing and services show, where markets expand there are good prospects for an increase in income; but where imports tend to displace domestic production that employs mostly women, adjustment costs can be significant. Improving women's skills as well as in their broader human development thus remains fundamental.

An examination of multilateral trade rules does not lead to clear conclusions either. In a few, limited instances, existing norms can create some constraint on the ability of governments to pursue gender equality through domestic policies and measures. It is from this perspective that the impacts of some multilateral trade agreements of the World Trade

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Organization have been analysed. Furthermore, as gender equality is a fundamental human right, the interface between the human rights legal framework and international trade law obligations remains important in the context of promoting sustainable human development.

The opportunities that international trade promises, as well as the challenges it poses, call for action to ensure a more equitable sharing of benefits. The initiatives reviewed in this volume are but a subset – albeit an important one – of those that can and should be taken. Capacity building for policy-makers, as well as the use of specific analytical tools designed to assess gender-specific trade impacts, appear to be essential for the negotiation of any new agreement. But capacity building is also important for women traders, to help improve their abilities to share in the benefits that international trade can bring. In today's globalized world, information and communication technologies are an indispensable tool to improve women's competitiveness. Finally, the involvement of the private sector and civil society is also important to ensure respect for gender equality in the workplace. A review of different codes of conduct implemented by transnational corporations for their own operations and for the operations of their suppliers, as well as of civil society initiatives such as fair trade, highlights possible avenues for enhancing gender equality while expanding trading opportunities for women, especially in developing countries.



## Chapter 1

# THE ECONOMICS OF GENDER EQUALITY, TRADE AND DEVELOPMENT<sup>1</sup>

### INTRODUCTION

Gender equality is a universal goal that is enshrined in many international instruments such as the Charter of the United Nations, the Universal Declaration of Human Rights (1948) and the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), 1979. In addition, the Fourth World Conference on Women in 1995 adopted the Beijing Declaration and Platform for Action, which indicated a number of strategic objectives and actions, notably on the role of women in an economy. The Declaration also identified the need for more analysis on the impact of globalization on women's economic status. Many actions were recommended to promote women's economic rights and independence, including access to employment, appropriate working conditions and control over economic resources. And governments were advised to seek to ensure that national policies relating to international and regional trade agreements do not have an adverse impact on women's new and traditional economic activities. More recently, in 2000, the Millennium Declaration adopted by Heads of State at the Millennium Summit reaffirmed the primacy of poverty alleviation and gender equality as development goals.

This chapter looks at the economic aspects of gender inequality. While gender equality is a fundamental principle which should be respected in all societies, the pursuit of the gender equality objective should be supportive of growth and development. It is therefore necessary to analyse the relationship between gender equality and development in order to ensure that the development process fully integrates gender equality concerns.

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<sup>1</sup> This chapter has been prepared by Anh-Nga TRAN-NGUYEN, UNCTAD, Geneva with research assistance from Melanie Bauer, Abril Frayre de la Torre and Iris Kubina.

Trade, as an important aspect of globalization and a major source of growth and development, can have strong implications, both positive and negative, for gender equality. Policies and measures that promote gender equality and address any possible setbacks need to be identified, bearing in mind the development needs of developing countries.

Nearly 60 years after the creation of the United Nations Commission on the Status of Women in 1946, significant progress has been achieved in some areas, notably with regard to women's participation in the labour force, a narrowing of the wage gap between men and women in some countries and an improvement in the level of education of women. However, in the majority of countries in the world, women are still at a disadvantage in terms of their role and position in the economy as compared with men (ILO, 2004). Despite the recognition of gender equality as a legitimate goal for humanity at large, why do gender inequality and discrimination against women persist in the workplace?

There are several reasons for this situation. In many societies, cultural, religious, or family norms continue to confine women to certain roles, and serve as barriers to their participation in economic life on an equal basis with men.<sup>2</sup> Furthermore, women are primarily responsible for the reproductive functions within the family, and for providing care to children and the elderly. This results in a division of labour within the household, which makes it difficult for women to take full-time jobs in the labour market. Even if women were able to participate fully in the labour market, discrimination against them might persist, despite its being economically inefficient, because the prevailing gender order gives more authority to men in society. And in order to preserve their authority, men would tend to exclude women from their decision-making networks.<sup>3</sup> Another explanation is related to the lack of information that employers may have about their women employees, resulting in their tending to underestimate the productive potential of women, and, therefore, paying them less and

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<sup>2</sup> Religion is among the most significant factors influencing female labour force participation across countries (Tzannatos, 1999; Dollar and Gatti, 1999).

<sup>3</sup> For an economic analysis of gender inequality in the labour market, see Elson, 1999.

confining them to lower grade occupations. Thus occupational segregation remains strong, despite women's progress in educational attainment. Unless gender norms and perceptions are challenged, discrimination against women in the workplace will persist.

Thus the root causes of gender inequality lie in social norms, linked to the traditional reproductive functions of women and manifested by male dominance and authority at home and in the workplace. These factors contribute to weakening women's capacity to earn their own income, especially as they render it difficult for women to access resources (such as land and credit) and other basic services (such as education and health care). Given their inferior role in society, their bargaining power in the workplace is also weak; the more so as they lack experience in organizing themselves as a negotiating or lobbying group. The outcome, in terms of the role and status of women in the economy, is reflected in insufficient participation in the formal labour market, poor conditions of work and quality of employment, job segregation (occupational stereotypes), lack of empowerment, and wage inequality for the same job as men. This situation is summarized in figure 1.

Gender inequality in the economy therefore has many dimensions, involving inequality of opportunities (capacity to earn income) as well as outcomes. These dimensions may be expressed in terms of:

- Employment opportunities – opportunities to participate in the labour market in all sectors (horizontal distribution of activities) and all occupations (vertical distribution of activities in a profession);
- Returns from labour (wage equality);
- Conditions of work and quality of employment;<sup>4</sup>
- Access to basic services (such as health and education);
- Access to resources (such as land, credit and business services);

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<sup>4</sup> The quality of employment and conditions of work would include the following factors: sustainability and regularity of employment, social protection (health, maternity, unemployment and pension), working time, intensity of work, occupational risks, possibility of career advancement or skill upgrading and social status attached to a job.

- Empowerment (participation in decision-making); and
- Distribution of income inside and outside the household (or poverty levels).

Since women as wage earners, entrepreneurs or self-employed (home-based) workers are affected by the factors listed above, the contribution of growth and development to gender equality should be assessed against these factors. Because of its multi-dimensional character, gender equality cannot be fully achieved if progress is made in only one or a few areas.

The first section of this chapter examines the current situation concerning gender inequality in the economy, in particular in the labour market. It shows that there is still an important gender gap throughout the world. The second section analyses the relationship between gender equality and growth: while growth certainly contributes to the reduction of gender inequality, gender equality, in turn, supports growth through human capital development and productivity. The third section examines the trade and gender nexus, including the impact of trade on growth and employment opportunities, the role of women in export competitiveness and the impact of multilateral trade rules on gender equality. The chapter concludes by discussing the policy dimension of trade and gender.

## **1. GENDER GAP: THE CURRENT SITUATION**

The situation of women has improved in some areas. For example, in education, it was reported that in 2000–2001 the combined enrolment ratio for all levels of education of women exceeded that of men in 77 of the 165 reporting countries, and it was at par in 12 countries (UNDP, 2003: 310–313).

There has been an increase in the proportion of women in the labour force in all, except two, regions of the world (table 1). By the year 2002, women constituted 40 per cent of the total economically active population in the world, while in North Africa and West Asia, the share of women had stagnated at around a quarter of the total labour force since 1960.

**Table 1. Share of women in total economically active population**

Region	1960	1970	1980	1990	2002
<b>World</b>	36.5	37.8	39.0	40.4	40.7
<b>Developing countries</b>	37.5	38.4	39.1	40.0	40.1
Africa	39.8	40.1	40.2	39.7	40.5
Northern Africa	24.0	26.0	27.4	25.2	25.7
Sub-Saharan Africa	43.4	43.3	43.0	42.8	43.6
Latin America and the Caribbean	20.9	23.5	28.0	33.5	38.9
Central America and the Caribbean	20.4	23.1	28.7	31.8	35.0
South America	21.1	23.8	27.6	34.3	40.6
Asia	37.1	38.0	38.9	39.9	39.5
West Asia	28.8	27.2	26.1	23.9	26.1
Central Asia	42.5	46.9	47.8	46.1	47.0
South, East and South-East Asia	37.4	38.3	39.3	40.5	40.0
Oceania	38.4	38.5	39.3	39.5	42.9
<b>Central and Eastern Europe</b>	46.4	47.8	47.8	47.3	47.8
<b>Developed countries</b>	32.3	35.2	38.7	42.4	44.1
America	31.2	35.9	40.9	45.0	46.0
Europe	31.2	33.5	37.2	41.0	43.5
Others	37.4	38.0	38.1	40.8	41.4

Source: International Labour Organization, database on labour statistics.

A recent survey by the International Labour Organization (ILO) on global employment trends for women (ILO, 2004), has also indicated that the labour force participation rate (expressed as the share of employed plus unemployed people in comparison with the working-age population) is also high for women, except in the Middle East and North Africa and South Asia (table 2). However, female labour force participation rates are still below male labour force participation rates by a large margin (table 2).

**Table 2. Male and female labour force participation rates (%), 2003**

	Male	Female
World	79.4	53.9
Middle East and North Africa	76.8	28.2
South Asia	81.1	37.4
Latin America and the Caribbean	80.5	49.2

Industrialized economies	70.3	50.5
Transition economies	65.7	53.1
South-East Asia	82.9	60.5
Sub-Saharan Africa	85.3	63.2
East Asia	85.1	73.1

*Source: ILO, Global Employment Trends for Women, 2004.*

The following are some of the other salient features pointed out by the survey:

- Women have a lower likelihood of holding regular wage and salaried employment than men. The rate of female contribution to family workers exceeds the male rate in almost all economies where data are available. In economies with a high share of agriculture, more women work in this sector than men. Women's share of employment in the services sector also exceeds that of men.
- Women are more likely to find employment in the informal economy than men. This area of the economy is, however, outside legal and regulatory frameworks, with little – if any – social security benefits, and a high degree of vulnerability.
- Even among wage and salaried workers, more and more women are likely to be in non-regular or atypical employment. Whereas men are more likely to be hired in core, regular and better-paid positions, women are increasingly being hired in peripheral, insecure, less-valued jobs including home-based, casual or temporary work. These jobs are normally characterized by very low pay, irregular income, little or no job or income security and lack of social protection.
- Women everywhere typically receive less pay than men. This is in part because women often hold low-level, low-paying positions.
- Even in high-skill occupations, where the education and training level of applicants would presumably be comparable (accountants in the banking sector or computer programmers in the insurance sector, for example), the average female wage is still only 88 per cent of the male wage. One of the reasons identified for the wage differential is women's lack of negotiating capability and bargaining power.

- Is the situation improving? In economies where data was available, female wages were catching up with male wages in only 5 of 12 economies for accountants in the banking sector, 4 of 10 economies for computer programmers in insurance, 5 of 12 for teachers, 6 of 10 for labourers, 4 of 11 for nurses and 2 of 6 for welders. The occupations that showed the greatest deterioration in the male-to-female wage ratio over time were first-level education teachers and welders.
- As a consequence, women represent a higher share of the working poor in the world – those people who work but do not earn enough to lift themselves and their families above the \$1-a-day poverty line. Of the 550 million working poor in the world, an estimated 330 million – or 60 per cent – are women (ILO estimate).

Another aspect of the gender distribution of employment is job segregation, as reflected in the concentration of men and women in certain typical professional occupations. An authoritative book on gender and jobs (Anker, 1998) analysed the sex segregation of occupations in the world. It pointed out that women tend to work in a small set of occupations, although in more developed countries the range of professions open to women is, in principle, broader. In addition, the major occupations where women can be found offer relatively poor working conditions in terms of pay, status, decision-making authority and career opportunity. Women are frequently employed in such jobs as nurses, secretaries/typists, maids/housekeepers, bookkeepers/cashiers, building, caretakers/cleaners, caregivers and tailors/sewers. However, in many parts of the world, some occupations that were dominated by women, such as teachers, bookkeepers/cashiers, and cooks/waiters/ bartenders, are now being taken up by men. Typical male occupations are architects, engineers and related technical workers, managers, production supervisors and general foremen, protective services workers, blacksmiths, toolmakers, bricklayers, carpenters and other construction workers.

The main occupations for women workers throughout the world have characteristics which are highly consistent with typical female stereotypes such a caring nature, honesty, manual dexterity, experience and skill at

typical household activities, and a willingness to be subservient and take orders.

Annex table A1.1 shows the percentage of women in total employment, by economic activity. In the majority of countries for which data were available, women are employed mainly in services: wholesale, retail trade, restaurants and hotels; financial intermediation; and community, social and personal services. Women are also well represented in the manufacturing sector in many countries with a strong export orientation, such as Mauritius, Sri Lanka, and South-East Asian countries, as well as in Central Asia and Eastern Europe.

Annex table A1.2 shows the percentage of women in paid (salaried) employment in manufacturing. It is interesting to note that the percentage of women employed mainly in the textiles and clothing, leather product and footwear industries are high in almost all countries in the sample, as well as the percentage of women in the electronics sector, especially in Asian countries.

An analysis of progress made on other aspects of gender inequality, such as access to assets and resources (land, credit, business services), is not possible owing to scarcity of information. On the question of distribution of income between men and women, UNDP has estimated that the female earned income as a per cent of male earned income varies between 24 and 70 per cent at most (UNDP, 2003: 310–317).

## **2. GENDER EQUALITY AND GROWTH**

While social norms continue to be the root cause of discrimination, economic growth can play an important role in reducing barriers to gender equality, and eventually contributing to a change in gender-based social norms and perceptions. Many studies have found a strong correlation between gender equality (often measured as the educational gap between men and women) and economic growth, either on a cross-country comparative basis or on a time-series basis for particular countries. Correlation could indicate a causal relationship in any direction;

explanations can be found for the role of growth in closing the gender gap, as well as for the role of gender equality in enhancing the growth process.

We begin with the first type of explanation. A simple mapping of the ratio of the number of years of schooling of women over that of men against the per capita gross domestic product (GDP) of 78 countries in 1990 clearly showed a positive correlation between these two factors (Lagerlöf, 2003). It was observed that gender equality had been almost achieved in OECD countries. In other developing regions, over the period 1960–1990, there was a tendency for an upward trend in the ratio of female to male schooling; the rise in this ratio was the strongest in East Asia, which was also the region experiencing the fastest growth in per capita incomes over the period. It should also be noted that in East Asian countries (see next section) the strong participation of women in the labour market has fostered growth in exports and GDP.

Another study found a positive correlation between per capita income and other measures of gender inequality, including secondary education enrolment, life expectancy, indices of legal and economic equality of women in society and in marriage, and the percentage of women in parliament (Dollar and Gatti, 1999). Furthermore, it was found that as countries develop, gender differences in secondary education diminish, slowly at first, and then more rapidly.

A strong positive correlation was also observed between economic growth and women's participation in the labour force as compared with men, in 61 countries during the period 1980-1990 (United Nations, 1995). But the growth-induced relative increase in women's jobs varied, depending on the level of development and the nature of economic growth. The increase was strongest in East and South-East Asia and much smaller in Latin America and Africa; surprisingly, in Western Europe, North America and Western Asia there was a negative impact of growth on the ratio of female to male labour participation, suggesting that more men than women have been gaining jobs created by economic growth.

There is, therefore, enough evidence on the positive impact of growth on gender equality, both in terms of education and employment. The

explanation is straightforward. As income grows, families are more willing to allocate resources to the education of girls, and growth also creates more jobs, which can absorb the entry of more women into the labour market. The rise in the level of education of women also allows more of them to be employed. Ultimately, a more active female participation in the labour force will contribute to changing social norms and perceptions about men's and women's roles in society.

While the impact of growth on gender equality is well understood, what can be said about the role of gender equality in the growth process? A number of studies have pointed to its positive impact, measured mainly in terms of educational levels, on growth.<sup>5</sup> The growth impact of female education is transmitted through its negative effect on fertility and the increase in productivity. It is noteworthy that the fertility rate and ratio of female-to-male schooling are inversely related, as shown in a cross-country mapping for a set of 78 countries in 1990 (Lagerlöf, 2003). The fall in fertility induces a decline in the population growth rate and lowers the dependency burden, thereby increasing per capita income and savings and increasing investment in human capital. This will, in turn, increase productivity in the economy. Besides this effect on productivity via increased investment in human capital, gender equality in education has a direct effect on productivity by removing the selection-distortion factor: because of gender inequality, able girls do not get the chance to be educated. As a result the innate ability of those who get educated may be lower than would be the case if boys and girls received equal educational opportunities, lowering, thus, the quality and productivity of human capital. There is also an externality factor of gender equality in education, as female education is believed to promote better education of children through the support and general environment mothers can provide their children.

The same argument of "adverse selection" would apply to gender inequality in employment: competent women could be overlooked because of gender discrimination. In addition, a lack of access to other services and resources, such as land, credit and technology (including information and

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<sup>5</sup> See, for example, Benavot, 1989; Hill and King, 1995; Barro and Lee, 1996.

communications technology), in all likelihood reduces the productivity of women as small entrepreneurs and workers, and thereby reduces the output for the economy as a whole.

There is thus a strong presumption that gender inequality has a negative impact on growth. However, testing this impact is not always a conclusive exercise, although some recent studies have shown the negative impact of gender inequality in education on growth. Dollar and Gatti (1999), using the methodology of instrumental variables to estimate gender inequality in education, found that there was a significant impact of female secondary attainment on economic growth (while the impact of male education attainment on growth was insignificant), particularly in middle-income countries. Klasen (1999) also found that gender inequality in education had sizeable negative effects on economic growth, directly and indirectly, through its impact on investment and population growth. Had South Asia and sub-Saharan Africa achieved more gender-balanced education in 1960, and had they done more to promote gender-balanced growth in education, their economic growth could have been up to 0.9 per cent per year faster than that actually experienced. Klasen also found that gender bias in employment (measured as the growth in the female share of employment in the formal sector) was associated with lower growth, although it was not possible to establish the direction of causality. Finally, gender inequality in education had large and significant effects on fertility and child mortality.

Another study looked at the efficiency and output losses arising from employment discrimination against women, in terms of job segregation and wage differential. Tzannatos (1999) provided estimates of the impact of the elimination of gender discrimination in employment on female and male wages, as well as on GDP. The difference between output produced under conditions of no employment discrimination and the one produced under current gender discrimination turned out to be positive in all countries considered. Although, of course, these simulations are subject to many qualifications, they suggest that women's wages could increase significantly with hardly any losses in male wages, and gains in output could be significant. In other words, a reduction in job segregation is not a purely redistributive issue, as efficiency gains would not result in wage

losses for men while female wages would increase. However, in the short run there could be a transitional cost of reallocation, as important labour reallocations (the shift of women's jobs to men's jobs and vice-versa) would have to take place in order to reach gender equality.

How does gender equality interact with other determinants of growth? An analogy can be made between the analysis of the impact of gender inequality in education and employment on the one hand, and the traditional analysis of the determinants of growth on the other. There are two main models of economic growth: the neoclassical and the endogenous growth models. The neoclassical model stresses the importance of capital accumulation, but also recognizes the important contribution of technical progress as an exogenous factor; this is captured by the time variable in the neoclassical production function. It assumes diminishing returns to labour and capital along with exogenous technological progress, and suggests a convergence of per capita income, conditional on exogenous savings and population growth rates. The endogenous growth model does not assume diminishing returns to capital and it assumes an endogenous technological factor, which is a product of investment not exclusively in capital, but also, mostly, in human capital and knowledge (Roemer, 1986; Lucas, 1988). Empirical analyses of the determinants of economic growth based on these two models<sup>6</sup> have identified some factors that have an important positive impact on growth: capital accumulation (investment), initial level and subsequent investments in human capital and greater openness of the economy.<sup>7</sup> The impact of gender inequality in education and employment on growth, in the context of these traditional growth models, would be translated through its effect on productivity (returns to capital and labour) and investment in human capital and knowledge. As seen earlier, gender inequality, by inducing an "adverse selection" effect, would reduce the overall productivity and the stock of human capital that can contribute to growth.

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<sup>6</sup> Among numerous studies, some noteworthy ones are by Barro, 1991; 1994; Sachs and Warner, 1997; and Mankiw, Romer and Weil, 1992.

<sup>7</sup> Other factors that appear to dampen growth include political instability and geographical disadvantages (landlocked countries and tropical climate).

Another strand of literature that can be relevant to the analysis of gender equality and growth looks at the effects of income distribution on economic growth. The neo-Kaleckians argued that a lower share of income going to workers, implying a higher profit share, would increase investment, as investment is a function of profitability as well as output. Other authors take the opposite view, arguing that income inequality can produce social conflict that may retard economic growth.<sup>8</sup> In light of this literature on income distribution, Seguino (2000) examined the relationship of the wage gap between men and women and growth in 20 developing economies deemed to be export oriented,<sup>9</sup> and concluded that the wage gap had a significant impact on growth; so did female education, although male education had an insignificant effect on growth. As the impact of a capital accumulation variable on growth decreases with the inclusion of the gender wage gap variable, and there is a positive effect of wage differentials on the share of investment in GDP, Seguino concluded that the macroeconomic effect of gender wage differentials is on investment, as wider gender wage differentials may be a signal of the profitability of investment (in the neo-Kaleckian sense).

What general conclusions can be drawn on the effect of gender equality on growth? There seems to be no controversy on the positive impact on growth of an improved access of women to education, as it will enhance productivity and increase the level of human capital. On the question of wage differentials, at first sight the work by Tzannatos and by Seguino appear to reach contradictory conclusions. While Tzannatos showed efficiency and output gains through elimination of wage differentials as a result of elimination of job segregation, Seguino found a positive impact of wage differentials on investment and growth, given the employment structure. In fact, there is no contradiction in the analysis as such. Tzannatos analysed the gender structure of employment in a "forward looking" way. In other words, the question examined by the author is what

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<sup>8</sup> For a review of the two contradictory approaches on income distribution and growth, see Alesina and Rodrick, 1994; Bhaduri and Marglin, 1990; Persson and Tabellini, 1994.

<sup>9</sup> The sample comprises a set of semi-industrialized countries that rely on exports as a significant component of aggregate demand.

happens if female wages are increased as women move to better paid employment (which is still male-dominated): the answer given is a gain in efficiency and output. Seguino, on the other hand, considered a "static" situation, whereby women are employed in low-wage jobs, contributing, thus, to reducing the cost of production in labour-intensive, export-oriented sectors. As exports grow, the economy also grows and develops, because foreign exchange earnings allow additional investment and technology upgrading. It also shows that women constitute a large reservoir of unskilled and cost-competitive labour surplus, as compared with men who occupy skilled and better-paid jobs. Women from rural areas or those who are employed in the informal sector generally accept entering the formal labour market at low wages, as this is likely to give them a more secure source of higher income than what they had before. This can be seen as an improvement in their economic condition. However, it remains to be seen whether, through training and better education in the future, women will get the same jobs as men, with equal pay.

To conclude, gender equality and growth are mutually supportive. Some observers would argue that below a certain level of industrial development, growth will not necessarily lead to gender equality. In that case, gender equality should be promoted through proactive government policies, not only for humanitarian reasons, but also because this will strengthen the growth and development process. In developing countries, women are contributing to the economy in a significant way, as workers and entrepreneurs in all sectors. However, as the different contributions to this book show, often they are not given the same means and opportunities as men, in terms of training, higher-status jobs, access to finance and technology and participation in decision-making. Redressing gender imbalances will minimize problems of "adverse selection" and increase the productivity of women producers, thus enhancing the efficiency of the economy as a whole.

### **3. TRADE AND GENDER**

This leads to an examination of the relationship between trade and gender. In what way can trade affect the different dimensions of gender equality?

Does the multilateral system (understood as a set of multilaterally agreed rules governing trade liberalization and trade relations among States) have any impact on gender in terms of opportunities and outcomes (to the extent that outcomes are influenced by regulations and policies)?

Opening the economy to trade is often seen as bringing benefits in terms of broad-based and sustained growth, as trade will entail a more efficient allocation of resources in the world economy. Trade also allows an exchange of the knowledge which is embodied in the traded goods and services, as well as a spreading of technology and, thereby, a significant increase in the productivity of human and physical capital. Countries will increase their welfare as the demand for the goods that they can export on a competitive basis will expand, and the prices of other goods that they consume, but do not have a comparative advantage to produce, will decrease.<sup>10</sup> To the extent that, on a net balance, domestic production expands, income and employment opportunities for the economy as a whole will also increase. In contrast, when the supply capacity of countries is weak and does not allow them to benefit from international trade opportunities, rapid trade liberalization before the building up of their supply capacity might bring more pain than gain in terms of reduction of domestic output (because of competition from cheaper imports), a chronic and unsustainable balance-of-payments deficit and capital flight (as there is no viable domestic investment).

The overall impact of trade on the economy will affect women in the same way as economic growth and development has a gender impact, as seen in the previous section. An economic downturn, on the other hand, might affect more women than men because, in general, women are a more vulnerable group of the population.

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<sup>10</sup> This chapter does not consider the gender-specific effects of trade on consumption, as there is no empirical evidence to allow a differentiation of the impact of changes in the price structure – as a result of trade liberalization – on the consumption patterns of men and women. The effects of liberalization of trade in services on the access of women as consumers to basic services are discussed, but in the absence of any empirical evidence.

Beyond the general economic impact, within the same country there are winners and losers from trade liberalization: different sectors of production can gain or lose from international trade, certain categories of workers or population have fewer capabilities to absorb adjustment costs, and international competitive pressure to reduce costs of production affect workers differently depending on their skills or specialization. Women can gain if the sectors in which they are mainly active expand, or if they have the required skills. However, others, especially those working in the poor rural areas and in the urban informal sector, have fewer assets to weather the shocks of trade liberalization. Moreover, because of their weaker bargaining power, women are often the victims of international cost competition.

Integration into the multilateral trading system can also have a differential effect on the welfare of men and women in several ways. Governments' sources of revenue are negatively affected by a reduction in tariff receipts. Multilateral rules might alter domestic regulations in favour of women, or restrict the options open to governments in the pursuit of their national economic and social objectives, including the objective of gender equality.

In sum, trade can affect gender equality in different ways, through:

- A positive or negative impact on growth and employment opportunities;
- Competitive pressures, which may reduce or encourage gender discrimination, in particular wage differentials;
- Facilitating or raising barriers to access by women to resources and services; and
- Multilateral trading rules, which may facilitate or constrain governments in applying policies or regulations that address gender inequality.

### **3.1. Trade-induced effects on income and employment opportunities**

Opening up an economy to trade induces a change in relative prices and, consequently, a change in the production structure. A country will export products that intensively use its abundant factors, and will decrease the production of goods in which it is less competitive in terms of its endowment of the factors of production used for those goods. In addition, trade tends to equalize factor prices (under conditions of full employment and non-mobility of factors of production): a high demand for the goods, the production of which intensively uses the abundant factor, will also raise that factor's price. Finally, trade can increase knowledge and bring new technology, and thereby increase the productivity of labour and capital.

To the extent that trade can raise income and the level of development, it also benefits women.<sup>11</sup> As seen earlier, growth contributes to reducing gender inequality, and trade can reinforce the growth process by:

- Extending markets and increasing production;
- Creating new activities to employ a labour surplus; and
- Increasing wage levels and productivity.

Increased trade and investment under the new form of globalization of production (see section b below) has multiplied employment opportunities for women in both the formal and informal segments of the labour market. The textile and clothing, footwear and horticulture sectors are examples of production networks that have allowed massive employment of women with low skills.

Clearly, trade expansion has brought benefits to women, in terms of increases in income-earning opportunities. For most women employed in export-oriented industries, this represents a significant improvement as

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<sup>11</sup> In a study for 78 countries, the share of exports in gross national product (GNP) was introduced as an explanatory variable; it was found that 1 per cent increase in the share of exports (in developing countries) was associated with a 0.2 per cent increase in female non-agricultural employment (see Frances Perkins (1992) as quoted by United Nations (1995)).

compared with their earlier situation as unpaid family workers, or poorly paid workers in the informal sector or rural area. Furthermore, employment in the trade-related formal sector gives women a higher status, more autonomy and some decision-making powers within their households. Women workers have reported an enhancement of their self-esteem and they appreciate the expanded social opportunities and life choices that wage employment brings (Tiano and Fiala, 1991; Amin et al., 1998). This also sets in train a greater change in gender relations, by shifting parents' perceptions of girls as a liability towards viewing them as potential income-earners and contributors to the household. Attitudes and incentives for educating girls are improved as a result (Kabeer, 1995).

Not only does trade provide employment opportunities in the goods sector, but also, increasingly, in the services sector (see chapters 6 and 7). There is a direct relationship between the growth of production of goods and the growth of services: from basic utilities, to transport and communications infrastructure, and specialized business services, including information technology services. The liberalization of trade in services can offer new sources of income for women, including through the movement of natural persons.

On the other hand, trade liberalization can also lead to import expansion and displacement of domestic production, thereby eliminating jobs in sectors where domestic enterprises cannot compete with imports. As mentioned earlier, trade will inevitably bring a change in the production structure: certain sectors/industries will expand, and others will contract, according to the competitive strength of countries. Adjustment costs resulting from these structural changes will depend on the net balance between the expansionary and contractionary consequences of trade. Adjustment to the negative consequence of trade liberalization would not entail high costs if the country were to gain other export markets, and if resources (including labour) could be shifted towards export-oriented production. Adjustment costs would be higher, the narrower the production base (which allows little room for reallocation of resources). Women often have to bear the brunt of these adjustment costs in agrarian economies. The opening up of local markets to cheaper imports and the removal of

agricultural subsidies have, in general, led to loss of employment among small-scale farmers, who are mostly women (United Nations, 1999). However, in some countries in Africa and Latin America, which have succeeded in diversifying their commodity exports in non-traditional agricultural exports (NTAE)<sup>12</sup> (e.g. primarily fruits, vegetables and cut flowers), women have been re-employed in this sector and comprise a large majority of its workforce (United Nations, 1999). Production and employment in the NTAE sector are organized in large-scale enterprises along quasi-industrial lines; they are often part of a global commodity chain of a multinational company acting as the buyer at the upper end of the chain. Conditions of work are often precarious, because the work is seasonal, and the high use of pesticides can be detrimental to women's health.

### **3.2. The role of women in export competitiveness**

The experiences of the newly industrialized economies (NIEs) have demonstrated the beneficial impact on growth and development of export-oriented strategies. Their success has depended on many factors pertaining to the right policy environment and access to international markets. Another factor that economists have recently highlighted is the role of women in the export competitiveness of these countries. Indeed their participation is considered so important, it has been asserted that industrialization in these countries in the context of globalization is as much female-led as it is export-led! (Joeques, 1995; 1999; Standing, 1989; 1999; United Nations, 1999). The employment of large numbers of women in the low-value chains of global production networks often provides the stepping stone for a systematic industrial strategy.

One notable aspect of the modern form of globalization is the linkage between trade and investment within the framework of the global production networks of transnational corporations (TNCs). Increasing competition in all industries, and especially export-oriented industries, has

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<sup>12</sup> According to Barientos et al. (1999), the value of NTAEs in 1988/89 was \$40.3 billion, exceeding trade in cereals, which was equivalent to \$38.6 billion.

led TNCs to reorganize their production chains globally in order to reduce costs of production. This has been made possible by advances in transport and communications technologies, and also by the rapid decline in barriers to trade and investment flows. TNCs are keeping their core competitive advantages in-house in their home countries, whether in R&D and design (technology development), production processes, sales outlets or brand management. At the same time they are outsourcing to low-cost sites their non-core functions such as the labour-intensive parts of the production process, assembly of less sophisticated products, or the logistical organization of product distribution. The organization of these global value chains can be producer-driven (in such sectors as electronics, automobiles and telecommunications) or buyer-driven (in such sectors as textiles, garments, footwear, horticulture or other NTAEs). In a producer-driven chain, the production chain is split, and the multiplication of supplier networks opens up new opportunities for developing countries and economies in transition to participate in international production systems (through intra-industry exports). In the buyer-driven chain, the whole production process can be located in developing countries and subcontracted through non-equity-purchasing links, although production inputs and materials are often imported from home countries or other more industrialized countries. The TNCs take charge of distribution and own retail outlets and brand names in the developed countries.

Many developing countries have developed their export sectors through insertion in these global value chains. In most of these cases, they have created special export processing zones (EPZs) to attract foreign investors and to provide special incentives for export activities in such sectors as electronics, information-technology industries, footwear, textiles and clothing. Overall, as can be seen from table 3, the female labour force constitutes the largest share of employment in these zones. However, there tends to be a high turnover of EPZ workers, with the average career of such a worker seldom longer than five years. This high turnover is due to the intensive nature of production, cultural factors, use of fixed-term contracts, a lack of human resource development policies, and underdeveloped labour-relations practices in EPZ enterprises (ILO, 2003). Moreover, there is some evidence that as the nature of employment in the zones evolves,

with higher technology inputs, the gender profile of the workforce changes. In those EPZs where production is more capital-intensive and the technologies employed are more sophisticated, there is a higher proportion of technical and skilled men workers (Fleck, 2001; Cardero et al., 2000).

Although trade creates employment opportunities for women, they are often confined to the low-skilled, low-paying jobs. For example, case studies of the textile and clothing sector in a number of countries (Bangladesh, Madagascar, South Africa and Viet Nam) have found that female workers are often excluded from further training activities, which makes their promotion to higher status positions unlikely. Consequently, most women are stuck in lower functions (see chapter 5).

Another phenomenon linked to the spread of global value chains is the informalization of outsourcing. In the garments sector, for example, major retailers and brand companies have moved out of manufacturing to concentrate only on design and marketing; they subcontract or outsource manufacturing to local firms, which subcontract to middle-men, who further subcontract to own-account producers and home workers (Carr and Alter-Chen, 2002). Likewise, the global commodity chains of NTAEs are buyer-driven, and controlled by a handful of major supermarket chains in North America and Europe. Women temporary workers are often employed for production and collection tasks. Although globalization can create new opportunities for those who work in the informal economy as wage-workers or self-employed home workers, there is a tendency for global competition to encourage formal firms to shift formal employment to informal employment arrangements that do not carry the benefits of minimum wages, security of employment and other social benefits.

Moreover, such employment opportunities tend to be unsustainable, because labour-intensive export industries can be footloose. As competitiveness is derived from the low cost of labour, a rise in workers' earnings, consequent to a general rise in income, will reduce the competitiveness of a country. To maintain their competitive edge, producers will strive to drive down production costs through downward

pressures on wages. Women, in particular, may suffer from this pursuit of a cheap labour strategy, given their weak bargaining power.

### **3.3. Trade effects on wage differentials**

There is an ongoing debate on whether trade will narrow or enlarge the wage differentials between men and women. The neoclassical view is that it will open the economy to competition among firms, which will reduce discrimination against women and allocate labour to its most productive uses, so as to minimize costs. Gender discrimination resulting in wage differentials is costly for employers insofar as it leads to allocation of resources which do not maximize output. In a competitive market (resulting from trade liberalization), market forces would tend to eliminate discrimination and close the wage gaps. Another argument, based on the Heckscher-Ohlin framework, points to the factor price equalization effect of trade.<sup>13</sup> In countries abundant in unskilled labour, labour-intensive exports will increase the demand for lower-skilled labour and reduce wage disparities among groups of workers (as wages of lower-skilled workers will increase relatively to the wages of skilled workers). As the skilled work force is mostly composed of men, while the unskilled labour is predominantly female, the gender wage differentials will concurrently be reduced.

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<sup>13</sup> Under rather stringent assumptions, related largely to perfect competition, identical production functions in trading countries, diminishing marginal productivity of factors of production and perfectly inelastic factor supplies, international trade will equalize the relative prices of products, and thereby induce factor price equalization in trading countries.

**Table 3. Women's share of total employment in some export processing zones in developing countries**

Country	Total employment (2003)	Female employment (% share)	Main sectors of production	Zone exports as % of total exports
<b>Africa</b>				
Cape Verde	11 41	88		
Kenya	27 148	60	Apparel/garments, pharmaceuticals, tea processing	80
Malawi	29 000	51	Textiles, cotton	
Mauritius	83 609	66	Textiles/garments, food processing, footwear, jewellery, medical/optical/photographic equipment	77
<b>Asia</b>				
Bangladesh	2 121 000	62	Textiles/garments, food processing, leather, pharmaceuticals	60
China	30 000 000	...	High-tech electronics, IT industry, pharmaceuticals	88
Korea, Republic of	39 000	70		
Malaysia	322 000	54	High-tech electronics, food processing, services, IT industry, pharmaceuticals	83
Pakistan	410 540	82	Electronics, chemicals, toys, precision mechanics, yarn processing/garments, leather, food processing, plastic	...
Philippines	820 960	74	High-tech electronics, textiles, leather	87
Sri Lanka	461 033	78	Textiles/garments, rubber products	33
<b>Latin America and the Caribbean</b>				
Dominican Republic	181 130	53	Textiles, services	80
Guatemala	69 200	70	Services	...
Honduras	106 457	67		...
Jamaica	20 000	90	Garments, electronics	...
Mexico	1 906 064	60	Plastics, machine spare parts, packaging material, electronic components, wire, metal stamping, steel, chemicals, apparel, wood products	83
Nicaragua	40 000	90	Textiles	

Source: ILO. Database on export processing zones, by courtesy of Paul Bailey and Jean-Pierre Singa Boyenge.

The non-neoclassical economists hold the contrary view, that competition is based on cost reduction and firms will use wage disparities as a tool of competition. Firms will find it advantageous to pay higher wages to attract skilled workers, and offset these costs by paying low wages to unskilled workers with weaker bargaining power. Therefore, trade and international competition would not result in an equalization of wages; instead, it would widen wage disparities between skilled and unskilled workers, and between men and women.

Two econometric studies have assessed the effect of trade liberalization on wage differentials between men and women (Artecona and Cunningham, 2002; Van der Meulen Rodgers, Berik and Zveglic Jr, 2003). The results are inconclusive: trade openness is found to have a positive impact (in the case of Mexico), as well as a negative impact (in the case of the East Asian economies) on reduction of the wage gap. In the case of Mexico, although trade liberalization was associated with wider wage gaps in the manufacturing sector, it was stated that these wider wage gaps were likely due to an increased premium on men's greater experience or skills, and the "discrimination" component of the wage differentials seemed to be the result of international competition. In the open economies of East Asia (Taiwan Province of China and the Republic of Korea), it was found that competition from foreign trade in concentrated industries was positively associated with wage discrimination against female workers. Import competition appeared to widen the wage gap, while a slight reduction in export openness appeared to be associated with less wage discrimination. Table 4 shows wage differentials in EPZs in Taiwan Province of China.

**Table 4. Female wages as a percentage of male wages in export processing zones, Taiwan Province of China, by industry, 2003**

Average wages	68.1
Precision machinery	63.3
Electricity & electronic appliances	69.8
Metal products	78.9
Machinery instruments	83.3
Chemical products	66.0
Foods	60.4
Vehicles	79.0
Garments	64.3
Miscellaneous industrial products	66.9
International trading	60.0
Information services	80.9
Warehousing trans-shipment	105.7
Related industry	87.5
Other industries	54.5

*Source:* Economic Processing Zone Administration, Taiwan Province of China

It is difficult to generalize on the basis of these few case studies. In reality, available statistics show that the wage differentials between men and women tend to narrow over time in all regions (with, however, a backslide in some countries, as can be seen from table 5), although female wages in all the countries listed in the table are still lower than male wages, sometimes by more than half. It is also noticeable that in the successful, export-oriented economies, such as Hong Kong (China), Malaysia, the Republic of Korea and Singapore, female wages appeared to have reached a plateau, varying between 58 and 65 per cent of male wages. The conclusion that can be drawn from these observations is that competitive forces arising from foreign trade have not eliminated the wage gap between men and women. Even in the most industrialized countries, where women have attained the same level of skills and education as men, women still earn less than men.

**Table 5. Female wages as a percentage of male wages in the manufacturing sector**

Country	1985	1990	1998	Latest year
<b>Developed countries</b>				
Belgium	74	74	79	...
France	79	79	...	...
Greece	78	78	82	...
Netherlands	74	75	77	...
Sweden	90	89	91	91 <sup>a</sup>
Switzerland	67	68	72	138 <sup>b</sup>
United Kingdom	...	68	72	77.5 <sup>a</sup>
<b>Transition economies</b>				
Bulgaria	...	...	73	70 <sup>b</sup>
Georgia	...	...	63	63 <sup>a</sup>
Hungary	...	...	69 <sup>c</sup>	73 <sup>b</sup>
Latvia	...	...	88	84 <sup>a</sup>
<b>Asia</b>				
Hong Kong, China	...	69	61	65 <sup>a</sup>
Malaysia	49	50	58 <sup>a</sup>	...
Myanmar	99	...	96	112 <sup>c</sup>
Republic of Korea	47	50	56	58 <sup>a</sup>
Singapore	...	55	58	59 <sup>a</sup>
Sri Lanka	70	88	83	86 <sup>a</sup>
<b>Latin America</b>				
Costa Rica	74	74	80	81 <sup>b</sup>
El Salvador	81	94	75	80
<b>Middle East</b>				
Bahrain	83	62	45	44 <sup>c</sup>
Egypt	68	68	69	75 <sup>c</sup>
Jordan	62	57	60	68 <sup>c</sup>
<b>Sub-Saharan Africa</b>				
Botswana	...	...	54	52 <sup>b</sup>
Kenya	76	73	48 <sup>d</sup>	...
Swaziland	72	88	87	...

Source: ILO, *Key Indicators of the Labour Market*, 2003.

Note: <sup>a</sup> 2001; <sup>b</sup> 2000; <sup>c</sup> 1999; <sup>d</sup> 1995.

There is, therefore, a role for governments to address these failures in the labour market and tackle the causes of the gaps. Wage differentials between men and women could be caused by the following factors:

- Job segregation, as women are confined to low-wage functions or to industries which cannot pay competitive wages;

- “Glass ceiling”, in the form of obstacles to women in moving up the hierarchical ladder;
- Differential productivity, which may result from differential access to education, training or technology, or responsibilities related to household care; and
- Discrimination by employers, linked to male dominance in the workplace.

Trade brings new opportunities in employment for women in developing countries. As mentioned earlier, export-oriented industries in those countries, almost without exception, have relied on the massive contribution of low-cost female labour. In low-income countries, there is a large pool of female labour surplus, resulting in a very elastic supply of labour that is mostly unskilled. Intensified cost competition among low-income countries for labour-intensive exports might drive down further the wages of women employed in these industries, and lead to worsening conditions of work. The preferential demand for female labour is generally related to stereotyped female characteristics such as docility, dispensability and a greater likelihood to respond to discipline (Fontana, Joeques and Masika, 1998). Also, the types of jobs in which women are mainly employed tend to be precarious, and employers prefer young women without family responsibilities, who are more ready to accept part-time or flexible hours, or seasonal work.

A strategy that develops export industries mainly or exclusively on the basis of cheap labour cannot be sustainable. Short-term gains can be reaped in terms of market shares, but fierce competition among low-income countries will undermine the competitive advantage of the early movers towards countries with an even cheaper female labour surplus. Under such a scenario, neither long-term development gains nor gender equality (in terms of equal returns to labour) can be achieved. Countries need to implement a long-term strategy to increase the technological content of their exports and move up the supply-chain ladder. This strategy should also ensure gender equality in education and training, so that women gain higher qualifications for employment in line with the rise in technological capabilities of the exporting country.

### **3.4 Trade and access to resources**

Little is known about the impact of trade in services on women's access to basic services (e.g. education and health), or to resources (e.g. capital and credit) and other business services. Women, especially poor women, generally have limited or no access to basic services and utilities (e.g. water and energy), as well as to other services, such as financial, telecommunications and information technology, and business services. Access barriers can be due to social norms or customary laws, but often are related to the high costs of the services or to their poor distribution networks that are unsuited to the small-scale activities or location of women. The question is whether liberalization of trade in services reduces or increases these barriers.

Export of services and enhanced access to the markets of developed countries will increase income and employment opportunities for women, thus providing the means to acquire other services (see also chapters 6 and 7 on international trade in services). On the import side, liberalization of services can entail both benefits and costs for women as a disadvantaged group (and also for the poor in general). Opening up the services sectors can certainly benefit host countries by enhancing their efficiency through additional investment, upgrading of technology and infrastructure, generating opportunities for employment and training, and increasing the quality of services provided. The benefits may vary by sector. In such sectors as transport, finance, and communications and information technology, it is important for a country's international competitiveness that it adopt, acquire and upgrade modern infrastructure and technologies. However, the challenge for governments is to broaden the access of the poor (the majority of whom are women), especially in rural areas, to these services, through appropriate regulations such as those relating to pricing practices, cross-subsidization and resource transfer.

So far, there have not been many studies or research on the impact of liberalization of services on women. Concerning liberalization of financial services, some findings have indicated that it has not increased the credit options for small enterprises, especially women-owned businesses (Baden,

1996). In addition, precipitous liberalization of the capital account (and cross-border flows of financial services) can increase external financial vulnerability and lead to devastating financial crisis in countries that lack the appropriate regulatory and supervisory frameworks. The experience of the Asian financial crisis showed that it can have deleterious effects and lead to the impoverishment of women (Singh and Zammit, 2000; Elson and Catagay, 2000; Van Staveren, 2000).

Liberalization of sectors, such as education and health care, through foreign commercial presence can also bring benefits in terms of the upgrading of infrastructure and technology, better quality and specialization of services. However, this may result in prohibitive prices for the poor segments of the population if public subsidies for poor consumers are eliminated or if public funds are used, instead, to finance huge initial public investments to attract foreign investment. Or at best, this may result in a two-tier provision of services, with a private supplier providing higher quality services to the affluent, and a public supplier, which is underinvested and resource-constrained, catering to the lower income groups that include a large number of women. Governments can address these inequities in the distribution and quality of such services by promoting linkages between the public and private segments through such means as cross-subsidization, reservation of some places for the poor in private institutions, promoting professional collaboration and exchange between public and private suppliers, and taxing the foreign and domestic commercial segments to raise resources for the public segment (Chanda, 2003).

### **3.5. Gender aspects of multilateral trade arrangements and commitments**

Multilateral trade is governed by a set of commitments contained in multilateral agreements, primarily those of the World Trade Organization (WTO), and regional and bilateral arrangements, which generally aim at reducing barriers to trade (and investment). Such liberalization commitments can affect women and gender equality in different ways. This section reviews briefly the issues relating to the multilateral trading system

that are of relevance for gender equality. Chapter 9 examines in more detail the impact of WTO rules from a gender perspective.

In the agricultural sector, the gender aspects of agricultural production are more complex, and therefore the effects of different agreements on the employment of women are also complex. Men and women in developing countries have different roles: the majority of women are engaged in subsistence agriculture and are responsible for food security in the household, while men are concentrated in the sector producing export crops (see chapter 3). Liberalization of imports of agricultural products tends to disadvantage women producers of subsistence foods. Recently, women have also been employed in the NTAE sectors, which have benefited from preferential access to developed country markets under the Lomé agreement between the European Union (EU) and African, Caribbean and Pacific (ACP) countries, and its successor, the Cotonou Convention. The erosion of these preferences following the Uruguay Round is likely to adversely affect the prospects of NTAE and female employment in this sector in the ACP countries.

In the manufacturing sector, the Agreement on Textiles and Clothing (ATC) can have a significant impact on employment opportunities for women in some countries. The phasing out under the ATC of the quota system provided by the Multi-Fibre Arrangement (MFA) will lead to further liberalization of the sector, resulting in both winners and losers. There is a risk that women workers in this sector in some least developed countries will be particularly affected, as production will move to large countries with a huge female labour surplus.

Liberalization of services has the potential to enhance efficiency and competitiveness in host economies, but at the risk of creating or worsening inequities for the poor and for women. In some cases and some sectors, there is a need to protect and support domestic small-scale suppliers of services (very often women-owned small enterprises) which can respond in a more efficient and flexible manner to the needs of women consumers. In other cases, access by the poor and women to basic services needs to be ensured by appropriate government policies and regulations to address

market failures. In the final analysis, there is generally a need for strong domestic regulations to be put in place before moving ahead with the liberalization of many services, in order to ensure the pursuit of development and social objectives, including gender equality, and the stability of the financial and economic systems of host countries.

In this regard, the flexibility of the General Agreement on Trade in Services (GATS) in allowing domestic regulations in the services sector should be noted. The preamble to the GATS states that Members have the right to "regulate and to introduce new regulations on the supply of services within their territories in order to meet their national policy objectives". Governments, in principle, retain their sovereignty over domestic regulations, and can decide on the pace and extent of liberalization in services. Commitments can be made subject to conditions that address domestic concerns, such as protection of domestic suppliers, technology transfer, local content, or local employment creation. Subsidies and government procurement are not, at present, subject to discipline under the GATS. However, some ambiguity persists: under GATS Article VI, countries have a specific obligation to regulate those services where they have filed a commitment, in a reasonable, objective and impartial manner, and domestic regulations should not constitute unnecessary trade barriers. The challenge is to balance the need for transparency in domestic regulations without sacrificing public policy concerns, in order to ensure the primacy of the public objectives of equity and development (Chanda, 2003).

Multilateral trade rules can also affect governments' export promotion programmes to help firms owned by women, minorities or other disadvantaged groups through the provision of subsidies. In the goods sector, the Agreement on Subsidies and Countervailing Measures (SCM) may cause problems for such programmes.

Finally, trade liberalization, by reducing tariffs, and tax revenues derived therefrom, may affect government social protection programmes. Particularly vulnerable to revenue reductions are those countries where customs duties and tariffs provide a significant proportion of fiscal receipts.

Lower government revenues may, for example, jeopardize the financing of social safety nets, which consist of pension, unemployment benefits and food transfers. These safety nets are provided to cushion the poor against the costs of adjustment as the composition of output and employment changes in response to trade liberalization (Gammage et al., 2002). As women constitute a vulnerable group of the population, they are most likely the primary beneficiaries of such safety nets.

#### **4. CONCLUSION: THE POLICY DIMENSION**

This chapter has examined the links between gender, growth and international trade, using, to the extent possible, the evidence provided by the economic literature, case studies and available statistics. It first attempts to capture the many facets of gender inequality, in order to identify the channels through which different economic policies and global processes might affect gender equality. This might assist policy-makers in designing policies that target certain aspects of gender inequality. Figure 1 in the introduction describes the different factors responsible for gender inequality. These are classified in three interrelated groups: social and family institutions, which determine the availability of empowering tools, which, in turn, can shape the status of women in the work place.

Gender equality in the economy is important, both as a humanitarian goal and as a development objective in its own right. Indeed, it is generally found that gender equality and growth are mutually supportive. Growth brings more gender equality, while gender equality contributes to growth through human capital development and increased productivity. Given the important contribution that women are bringing to the economy as workers and entrepreneurs, redressing gender imbalances, notably in respect with returns to labour, vertical and horizontal job mobility, access to training and technology and other resources, will increase the productivity of women producers.

International trade can influence the growth process and gender equality in different ways. Trade enlarges markets by facilitating inter-country flows of goods and services and an exchange of technology and information,

contributing thereby to growth and development. But trade liberalization does not always bring benefits, and can entail high costs and misery if domestic production is displaced in countries with weak supply capacities that prevent them from seizing opportunities to access global markets. Trade-induced growth will benefit all – men as well as women. However, within the same country, the benefits and costs of trade can be distributed differently between men and women, because the society assigns them different roles, thereby causing gender inequality to persist. For the reasons noted above, women constitute a vulnerable social group, and special measures need to be taken to allow them to advance and to shield them from excessive adjustment costs.

A gender analysis of trade and trade liberalization in developing countries reveals some interesting facts:

- (a) An increase in trade and investment in the labour-intensive sectors of goods and services markets has provided numerous employment opportunities to women, in both the formal and informal segments of the labour market. In agrarian economies, however, when import expansion has displaced domestic production, women often have to bear the brunt of the costs of adjustment.
- (b) A large and cheap female labour surplus has often provided the competitive edge for the export-oriented and labour-intensive industries in developing countries. Conditions of work for women in these sectors have not always been good. This cheap-labour policy has not contributed to closing the wage gap between men and women. In hardly any country in the world have global market forces reduced gender-based wage differentials. Moreover, in countries which have succeeded in moving up the technology ladder, the female labour force has tended to lose importance, as women have become more disadvantaged in terms of technical qualifications.
- (c) Liberalization of services, in particular, has the potential of enhancing the efficiency and competitiveness of host

economies, but at the risk of creating or worsening inequities in access to basic resources and services for the poor and for women.

- (d) Multilateral trade commitments and agreements can affect women and gender equality in different ways: in securing or jeopardizing market access in sectors where women are predominant; in potentially affecting government export promotion programmes to help businesses owned by women (or other disadvantaged groups); in potentially limiting the capacity of governments to introduce regulations that support their development and social objectives (including gender equality); and in reducing tax revenue derived from tariffs, thus potentially affecting government social protection programmes in favour of women.

Trade can be a window of opportunity for women, insofar as it expands markets and allows a massive entry of women into formal labour markets in various sectors (labour-intensive manufacturing, services, non-traditional agricultural exports). This has undoubtedly contributed to enhance the economic autonomy and status of women, while also boosting the export competitiveness of their countries.

The questions remain as to whether this trend can be sustained, and whether trade supports gender equality in all its dimension. Exports in labour-intensive (income-elastic) products that employ a large female labour surplus will continue to expand as long as the access to markets in rich countries is guaranteed. On the other hand, as low-income countries would tend to export the same goods, the consequence of this "fallacy of composition" could be a decline in the terms of trade of these goods, as compared with capital- or technology-intensive goods. Over time, countries should consider upgrading their exports, and women should be concurrently given the opportunities to improve their technical qualifications and job positions.

Although there has been significant growth in female participation in the labour market, gender inequality persists under other forms: precarious

conditions of work, wage inequality, vertical and horizontal job mobility, and access to resources and services. As mentioned above, proactive government policies are needed to ensure equal employment conditions, and to provide special support to women workers and entrepreneurs. In this respect, flexibility in the implementation of multilateral trade rules should provide governments with enough policy and regulatory space for the pursuit of the gender equality objective (see chapter 9).

In many low-income countries (particularly those with a predominant agricultural sector), trade liberalization can displace domestic production, hurting mostly women. Under these circumstances, there is perhaps a need for careful sequencing and pacing of trade liberalization, and for concurrent efforts to diversify areas of production and provide support to small producers. In particular, women producers, who often play a critical role in the supply of food and in the diversification of agricultural exports should have access to adequate resources. In addition, these countries would need a special and differential treatment within the multilateral trading system along with other preferential measures from trade partners.

Against this backdrop, a number of policies and measures are suggested in order to make trade liberalization consistent with the objective of gender equality.

### *Export-oriented development strategy*

The use of cheap female labour surplus, in the context of the international production networks of global value chains, has allowed some countries to develop competitive export-oriented industries. However, the strategy of relying on cheap labour is not sustainable: either wages will increase with economic development or female wages will purposely be maintained at a low level, unless women get more organized and gain more bargaining power. A “virtuous circle” of development would require that countries capitalize on their early success by developing their human capital and upgrading skills and technologies, in order to move away from low-value-added and labour-intensive exports. This strategy should create opportunities for women also to upgrade their skills and qualifications, thus

contributing to providing a firm basis for increasing the productivity and competitiveness of export industries, as well as promoting gender equality.

### *Employment conditions*

Improving working conditions and ensuring equality at work should be the objectives. Proactive measures or laws aimed at ensuring non-discrimination in employment of men and women and a balance between work and family responsibilities could be taken, in line with the different ILO Conventions adopted in this respect (see annex to this chapter). In addition, multinational companies, either through a producer-driven or buyer-driven commodity chain, could be encouraged to adopt gender-sensitive codes of conduct leading to better working conditions for women (see chapter 13).

### *Trade policies*

The sequencing and pacing of trade liberalization should take into account their impact on gender equality. Generally, adequate domestic regulations need to be put in place before moving ahead with liberalization, in order to preserve the ability to pursue development and social objectives, including gender equality, and the stability of the financial and economic systems of the countries concerned. Market access issues are equally important for gender equality, insofar as export growth in some sectors has allowed an increase in female labour participation.

### *Multilateral trade rules*

Multilateral trade rules can sometimes be non-gender neutral in their effects and inconsistent with human rights law obligations governing gender equality. Particular attention needs to be paid to important issues such as those related to the right to food and health, if the trading system is to make a contribution to sustainable development in line with the Millennium Declaration objectives. Chapters 9 and 10 analyse the gender impact of WTO rules as well as the principle of non-discrimination from a human rights perspective.

*Capacity building and financial support*

Governments can enhance the capacity of women to compete in business or in the labour market through training, provision of subsidized services, and financial support. An area of particular importance is the information and communications technology sector, which offers women opportunities to do business in more efficient ways in a globalizing market (see chapter 15). Programmes that support women entrepreneurs are also crucial for the development of small and micro-enterprises owned by women.

**Annex\*****ILO INSTRUMENTS ON LABOUR STANDARDS CONCERNING WOMEN WORKERS**

ILO Standards take the form of international labour Conventions and Recommendations. ILO Conventions are international treaties, subject to ratification by ILO member States. The Recommendations are non-binding instruments – typically dealing with the same subjects as Conventions – which set out guidelines that can orient national policy and action. Both forms are intended to have a concrete impact on working conditions and practices in every country of the world.

Although most international labour standards apply without distinction to men and women workers, there are a number of Conventions and Recommendations that refer specifically or are particularly relevant to women.

ILO standards regarding women address three key issues:

- The elimination of sex-based discrimination in the employment relationship;
- The balance of work and family responsibilities; and
- The protection of maternity and the health of women in order to promote effective equality.

**Elimination of discrimination***Equal remuneration for work of equal value*

*The Equal Remuneration Convention (No. 100) and Recommendation (No. 90), 1951* apply to all workers in all economic sectors, private or public. These instruments set out principles for national policy on how to promote and secure equal remuneration for men and women workers for work of equal value. The accompanying Recommendation gives guidelines

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\* This annex has been prepared by Oliver Liang, ILO, Geneva.

and sets out special procedures for a step-by-step application of these principles.

### *Non-discrimination in the employment relationship*

The *Discrimination (Employment and Occupation) Convention (No.111)* and *Recommendation (No. 111), 1958* aim at the elimination of discrimination in the employment relationship through effective application of appropriate national policies and measures to implement such policies. They apply to all workers in all sectors of activity. The Convention defines seven specific types of discrimination, including discrimination based on the sex of a worker. States which ratify the Convention are obliged to formulate and apply appropriate policies with the aim of promoting equality of opportunity and treatment and eliminating discrimination. The accompanying Recommendation suggests specific principles for implementing such policies.

Moreover, the *Indigenous and Tribal Peoples Convention (No. 169), 1989* stipulates that indigenous men and women shall enjoy equal opportunities and equal treatment in employment, and protection from sexual harassment.

### **Work and family responsibilities**

Full equality of opportunity and treatment between men and women workers also requires the promotion of equality with regard to workers with family responsibilities.

The *Workers with Family Responsibilities Convention (No. 156)* and *Recommendation (No. 165), 1981* aim at creating equality of opportunity and treatment in employment and occupation between men and women workers with families, and establishing equality of opportunity and treatment in employment and occupation between men and women workers with family responsibilities and those without such responsibilities.

The Convention is applicable to all workers with family responsibilities in all sectors of activity. It requires ratifying States to make equality of

opportunity and treatment for workers with family responsibilities the objective of national policy, to be promoted by appropriate measures. The supplementing Recommendation stipulates more detailed policies and appropriate measures regarding vocational training, employment and employment conditions, and contains additional provisions on family and childcare services and institutions as well as social security.

## **Protection of maternity and the health of women**

### *Maternity protection*

The main instruments for maternity protection are the *Maternity Protection Convention (No. 183) and Recommendation (No. 191), 2000*.

These instruments apply to all women in all employment relationships. The Convention sets out specific provisions to ensure the health and well-being of a woman and her child during maternity, e.g. by providing health protection at work, maternity leave, social benefits, protection against dismissal and discrimination based on maternity, and breast-feeding breaks. The Convention provides for 14 weeks of maternity leave, while the Recommendation provides for 18 weeks in certain circumstances. Convention No. 183 is considered the most up-to-date instrument on maternity protection. Previous instruments on the subject, the *Maternity Protection Convention (Revised), 1952 (No. 103)* and the *Maternity Protection Convention, 1919 (No. 3)*, remain in force for States that have ratified them, although they are encouraged to consider ratifying the more recent Convention No. 183.

## **Night work and underground work**

The *Night Work Convention (No. 171) and Recommendation (No. 178), 1990* apply to men and women. Especially for women workers, the Convention requires alternatives to night work before and after childbirth and during pregnancy, if it is deemed necessary to protect the health of the mother or child. The *Night Work (Women) Convention (Revised) (No. 89), 1948* obliges ratifying States to prohibit women from working in industrial

undertakings at night. The *1990 Protocol to the Convention* permits variations in the duration of night work and exemptions from the prohibition of night work.

The *Underground Work (Women) Convention (No. 45), 1935* prohibits the employment of women in mines, which exposes them to specific underground work hazards.

### **Other ILO instruments of relevance to women workers**

The *ILO Declaration on Fundamental Principles and Rights at Work* adopted in 1998 contains the principles embodied in the standards on equal remuneration for work of equal value and non-discrimination in the employment relationship.

The *Declaration on Equality of Opportunity and Treatment for Women Workers* adopted in 1975 sets forth principles for international and national action as targets to be achieved progressively in relation to the overall objective of equality of opportunity and treatment of women, and their integration into economic and social life.

A *Resolution and Plan of Action of 1975* of the International Labour Conference laid out more concrete national and international action to be taken with a view to ensuring the implementation of the principles and targets of the 1975 Declaration, specifically emphasizing the importance of ratifying and applying ILO Conventions and Recommendations. The Conference later examined the progress achieved in this regard and adopted a new resolution and plan of action, adopted in 1985.

More information on ILO standards is available from:

[www.ilo.org/standards](http://www.ilo.org/standards)

More information about mainstreaming of gender at ILO and many ILO

resources and events related to gender are available from:

[www.ilo.org/gender](http://www.ilo.org/gender)

More information about the Gender Promotion Department of the ILO Employment sector is available from: [www.ilo.org/genprom](http://www.ilo.org/genprom)

**Annex table A1.1. Women's share in total employment, by economic activity (per cent)**

Country	Year	TOTAL	Agriculture, hunting, forestry, fishing	Mining & quarrying	Manufacturing	Electricity, gas & water	Construction	Wholesale, retail trade and restaurants & hotels	Transport, storage and communication	Financial intermediation	Community, social & personal services
<b>NORTH AFRICA</b>											
Egypt	1993	20	26	5	10	8	2	13	5	17	28
	1997	19	25	2	10	8	2	11	5	23	30
	2000	19	25	4	9	9	2	9	5	23	29
Morocco	1993	21	15	3	38	9	2	8	5	31	27
	1997	24	20	3	44	8	1	9	5	31	28
	2001	21	20	2	41	7	1	9	7	31	28
<b>SUB-SAHARAN AFRICA</b>											
Botswana	1995	45	31	16	52	6	32	59	25	57	53
	1998	44	28	11	52	11	11	60	22	55	54
	2000	44	38	11	54	8	13	62	21	53	49
Mauritius	2000	34	25	8	50	3	2	31	11	40	40
	2001	34	25	8	51	7	2	31	12	40	40
	2002	34	23	8	49	6	2	31	12	40	41
<b>LATIN AMERICA &amp; THE CARIBBEAN</b>											
Argentina	1993	38	24	0	25	19	3	33	10	36	62
	1997	38	12	4	24	16	2	34	12	38	58
	2002	42	20	13	28	18	2	37	13	42	59
Bolivia	1993	43	17	7	35	7	1	62	5	39	56
	1997	43	31	10	37	12	3	64	7	37	55
	2000	44	30	15	36	9	4	64	9	32	56
Brazil	1993	39	34	16	28	included in Mining & Quarrying	4	38 <sup>a</sup>	8	36	59 <sup>b</sup>
	1997	39	33	15	28		2	39 <sup>a</sup>	9	36	59 <sup>b</sup>
	2001	41	32	16	30		3	42 <sup>a</sup>	9	39	59 <sup>b</sup>
Chile	1993	32	12	4	29	13	3	44	11	36	57
	1997	32	10	4	27	12	3	46	12	38	56
	2002	33	12	5	26	12	3	45	13	39	54
Costa Rica	1993	30	8	18	35	13	1	39	11	27	51
	1997	31	9	0	32	18	2	38	9	37	52
	2001	35	8	13	36	19	4	38	12	37	58
Jamaica	1993	44	22	12	43	22	3	64	20	57	63
	1997	42	20	15	40	31	2	61	20	46	61
	2002	42	21	15	30	21	5	62	19	53	61

Annex table A1.1. - continued

Country	Year	TOTAL	Agriculture, hunting, forestry, fishing	Mining & quarrying	Manufacturing	Electricity, gas & water	Construction	Wholesale, retail trade and restaurants & hotels	Transport, storage and communication	Financial intermediation	Community, social & personal services
Mexico	1993	31	13	4	34	12	3	47	9	12	51
	1997	34	18	9	36	14	3	49	8	42	44
	2001	34	12	10	38	16	3	41	11	39	53
<b>WEST ASIA</b>											
Saudi Arabia	1999	14	2	3	2	1	0	0	2	3	27
	2000	13	5	4	2	1	0	1	0	2	25
	2001	13	2	1	2	0	0	1	2	3	26
Turkey	1993	25	42	1	19	4	2	8	6	24	21
	1997	27	44	2	18	9	2	10	5	28	23
	2002	28	49	4	22	4	2	11	6	33	27
<b>CENTRAL ASIA</b>											
Azerbaijan	1999	48	54	25	55	24	13	48	24	45	48
	2001	48	51	24	53	30	12	55	25	36	48
	2002	48	47	20	56	29	10	62	25	35	52
Georgia	1998	48	50	25	31	24	7	42	21	52	59
	2000	47	51	13	25	12	9	48	17	63	51
	2002	48	49	21	27	21	3	48	19	66	61
<b>SOUTH ASIA</b>											
Bangladesh	1996	38	47	4	37	13	8	8	2	8	34
	2000	37	46	64	38	13	9	8	3	11	58
Pakistan	1993	14	20	0	14	2	2	3	1	2	15
	1997	13	20	0	12	1	1	3	1	1	17
	2000	14	21	4	10	2	1	3	1	3	15
Sri Lanka	1993	31	34	6	50	19	5	15	7	30	39
	1996	32	37	15	49	15	4	22	10	33	36
	1998	35	41	13	48	14	5	21	6	27	40
<b>EAST ASIA</b>											
Hong Kong, China	1993	37	22	0	38	10	4	43	16	40	54
	1997	40	27	0	36	12	6	45	20	41	60
	2002	44	32	25	37	18	8	50	21	40	66
Republic of Korea	1993	40	47	6	38	14	10	51	10	54	44
	1997	41	48	8	36	14	11	53	11	58	47
	2000	41	48	0	36	17	8	54	11	54	45

Annex table A1.1 - continued

Country	Year	TOTAL	Agriculture, hunting forestry, fishing	Mining & quarrying	Manufacturing	Electricity, gas & water	Construction	Wholesale, retail trade and restaurants & hotels	Transport, storage and communication	Financial intermediation	Community, social & personal services
<b>SOUTH-EAST ASIA</b>											
Indonesia	1993	38	39	18	47	9	3	51	3	27	36
	1997	38	39	21	45	8	4	51	3	32	37
	1999	38	38	14	44	5	4	52	3	30	38
Malaysia	1993	34	31	10	44	9	6	39	10	37	39
	1997	34	28	12	40	13	6	40	13	42	43
	2000	35	27	13	41	11	6	40	13	41	46
Philippines	1993	37	26	8	46	15	2	66	4	40	56
	1997	37	26	9	46	14	2	65	5	41	58
	2001	39	26	7	47	16	2	62	5	59	60
Singapore	1993	40	8	0	42	21	11	41	21	59	49
	1997	41	24	17	40	13	14	43	22	59	51
	2002	44	15	0	38	21	14	45	24	59	54
Thailand	1993	46	46	21	49	16	18	53 <sup>b</sup>	12	Included in Wholesale & Retail	53 <sup>b</sup>
	1997	45	46	12	48	20	21	52 <sup>b</sup>	11		52 <sup>b</sup>
	2001	45	42	23	54	12	14	52 <sup>b</sup>	14		51 <sup>b</sup>
<b>EASTERN EUROPE</b>											
Hungary	1994	45	28	12	43	29	11	56	27	74	58
	1997	44	25	12	41	26	9	51	26	66	59
	2002	45	27	9	41	25	8	53	27	69	62
Poland	1994	45	45	13	39	21	12	56	29	62	63
	1997	45	44	11	38	21	9	54	27	68	63
	2002	45	44	11	35	22	9	55	26	68	62
Russian Federation	1997	47	31	22	44	28	23	61	31	71	61
	1998	47	30	24	44	28	23	61	30	70	61
	1999	48	33	24	43	29	24	61	31	67	60

Annex table A1.1 - continued

Country	Year	TOTAL	Agriculture, hunting, forestry, fishing	Mining & quarrying	Manufacturing	Electricity, gas & water	Construction	Wholesale, retail trade and restaurants & hotels	Transport, storage and communication	Financial intermediation	Community, social & personal services
<b>DEVELOPED COUNTRIES</b>											
Australia	1993	42	30	8	27	14	14	47	24	54	57
	1997	43	30	9	27	14	13	47	25	55	57
	2002	44	31	11	26	22	13	48	25	54	58
Canada	1993	45	27	14	27	26	11	48	31	66	59
	1997	45	26	15	28	26	10	48	31	66	59
	2002	46	26	17	29	25	10	50	30	63	61
Germany	1993	41	41	13	29	21	11	58	28	49	56
	1997	43	37	11	28	19	12	54	28	51	57
	2002	44	35	9	28	22	13	55	29	52	58
Ireland	1993	37	11	6	30	14	5	44	20	51	56
	1997	39	11	6	32	14	5	48	21	55	57
	2001	41	11	8	31	18	5	51	27	57	60
Italy	1993	34	36	11	30	12	5	37	16	32	47
	1997	35	33	12	31	12	6	37	18	34	48
	2002	38	32	19	30	13	6	40	21	38	52
Japan	1993	40	46	17	38	14	16	50	16	45	49
	1997	41	45	14	36	14	16	51	18	45	50
	2001	41	44	20	35	12	15	51	19	44	51
Spain	1993	33	27	4	22	8	4	40	13	29	54
	1997	35	26	5	23	11	4	42	16	31	55
	2002	38	26	6	26	19	5	46	21	40	56
Sweden	1993	49	27	9	27	19	8	47	32	58	68
	1997	48	25	0	27	24	8	46	31	58	66
	2002	48	23	14	26	28	8	46	30	57	64
United Kingdom	1993	45	24	11	29	24	11	53	24	55	61
	1997	45	25	12	27	22	9	51	24	53	60
	2002	45	22	11	25	25	9	52	24	50	60
United States	1993	46	21	16	32	22	8	47	30	53	61
	1997	46	25	15	32	20	9	47	30	53	62
	2002	47	26	12	31	22	9	47	30	51	63

<sup>a</sup> excluding restaurants & hotels, including electricity, gas & water

<sup>b</sup> including restaurants & hotels and financial intermediation

Source: Based on ILO Yearbook of Labour Statistics 2003.

Annex table A1.2. Women's share in paid (wages &amp; salaries) employment in manufacturing, by sector (per cent)

Country	Year	Food & beverages and tobacco	Textiles and clothing	Leather products & footwear	Wood products	Paper	Publishing and printing	Chemicals	Petroleum products
<b>AFRICA</b>									
Botswana	1998	29	81	33	56	59	44	56	-
	1999	32	86	31	54	21	78	76	-
	2000	32	80	78	65	42	52	35	-
Kenya	1993	12	12	13	12	12	12	12	-
	1995	15	16	17	15	15	15	15	-
	1997	24	10	19	15	7	22	29	-
Mauritius	1993	12	71	67	13	34	25	17	-
	1997	18	70	67	13	32	32	17	-
	2002	31	67	60	60	22	21	20	-
Zimbabwe	1993	6	14	4	3	2	2	11	-
	1997	5	17	7	4	5	3	10	-
	2000	7	16	7	9	9	18	8	-
Azerbaijan	1997	33	54	42	14	40	29	38	26
	2002	27	55	65	21	0	39	38	41
<b>ASIA</b>									
China	1991	42	65	60	43	43	55	39	35
Hong Kong, China	1993	28	60	44	16	20	26	40	8
	1997	32	61	33	15	25	31	42	-
	2002	39	63	39	16	24	35	45	-
India	1995	31	13	61	8	2	7	13	3
	1998	45	11	26	9	3	8	11	5
Malaysia	1987	34	79	57	26	33	40	32	26
	1994	35	69	57	30	34	42	30	20
Philippines	1997	30	72	60	34	27	38	28	16
Sri Lanka	1993	45	81	68	23	16	11	25	-
	1997	36	79	53	10	15	12	26	-
	2001	43	77	55	22	25	16	40	-
Singapore	1987	36	87	46	37	38	46	29	10
	1990	36	84	50	34	35	43	28	10

Annex table A1.2. - continued

Country	Year	Food & beverages and tobacco	Textiles and clothing	Leather products & footwear	Wood products	Paper	Publishing and printing	Chemicals	Petroleum products
<b>LATIN AMERICA</b>									
Argentina	1993	19	52	35	16	27	27	28	-
	1997	19	48	21	12	13	25	38	12
	2002	21	46	24	14	16	30	43	9
Colombia	1993	29	61	50	20	20	39	38	13
	1997	30	63	50	23	19	38	42	5
	1999	30	62	49	22	19	39	41	6
Costa Rica	1997	26	60	24	6	21	22	38	9
	2001	28	58	26	13	15	14	36	-
Mexico	1993	26	82	24	15	17	34	33	12
	1997	25	54	43	20	42	30	32	17
	2001	29	57	37	21	31	31	37	16
<b>DEVELOPED COUNTRIES</b>									
Australia	1993	32	60	48	19	25	39	30	14
	1997	30	61	45	18	20	40	33	10
	2002	32	59	26	18	24	38	40	10
Canada	1993	34	46	51	16	14	33	34	13
	1997	34	62	50	14	15	36	36	18
	2002	36	64	67	18	17	38	41	20
Germany	1997	48	93	54	25	27	44	31	0
	2002	50	60	53	26	27	46	31	26
Ireland	1993	24	56	35	16	18	33	36	20
	1997	28	58	38	22	30	38	35	0
	2001	28	58	33	27	28	35	39	0
Spain	1993	20	59	33	15	18	28	28	11
	1997	28	61	42	15	17	27	28	12
	2002	33	64	48	20	20	34	33	19
Turkey	1993	21	36	19	13	10	12	16	5
	1997	22	39	19	11	10	14	18	6
	2000	21	37	17	12	11	15	19	8
United Kingdom	1993	47	74	64	30	29	47	30	13
	1997	47	72	64	30	25	50	31	11
	2002	34	51	44	28	26	42	27	11
United States	1993	32	65	56	22	24	44	31	16
	1997	33	62	53	23	24	45	32	18
	2000	35	60	54	24	25	45	33	17

Annex table A1.2. - continued

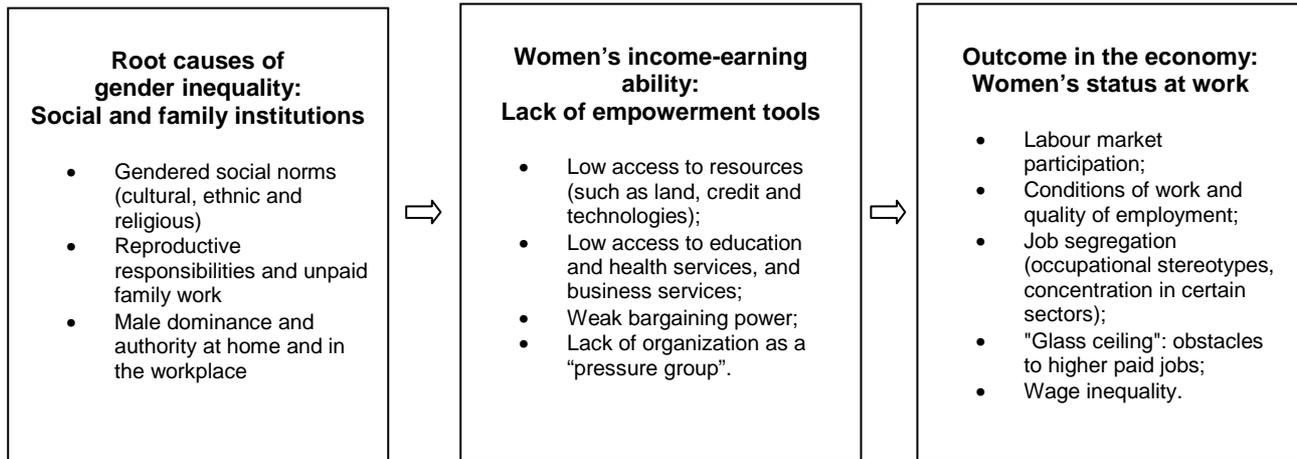
Country	Year	Rubber and plastics	Non- metallic minerals	Basic metal industries	Fabricated metal industries	Machinery except electrical	Transport equipment	Electrical machinery, electronics professional equipment	Total
<b>AFRICA</b>									
Botswana	1998	41	28	6	9	-	19	-	50
	1999	58	24	27	5	-8	21	65	48
	2000	40	31	8	12	10	10	61	54
Kenya	1993	13	12	12	12	13	12	11	12
	1995	16	14	16	15	13	15	16	15
	1997	14	9	5	12	7	5	12	18
Mauritius	1993	25	8	3	9	5	7	45	57
	1997	27	9	4	10	6	5	45	57
	2002	26	10	5	14	10	5	54	55
Zimbabwe	1993	3	3	3	4	5	3	7	8
	1997	4	4	4	4	5	3	7	7
	2000	5	3	4	5	7	4	7	9
Azerbaijan	1997	38	29	33	22	29	19	39	37
	2002	28	33	31	16	30	14	49	34
<b>ASIA</b>									
China	1991	52	35	30	43	37	35	47	45
Hong Kong, China	1993	38	15	14	30	0	9	45	45
	1997	38	12	16	28	0	16	45	42
	2002	34	18	17	22	0	12	40	42
India	1995	4	5	3	3	3	2	11	12
	1998	4	8	3	4	3	2	13	15
Malaysia	1987	29	29	11	35	18	22	76	48
	1994	47	24	14	27	32	22	70	48
Philippines	1997	28	22	12	17	32	69	72	44
Sri Lanka	1993	27	37	7	10	5	3	70	64
	1997	36	25	19	10	6	3	64	59
	2001	39	32	8	29	25	10	74	64
Singapore	1987	49	18	15	34	22	11	73	54
	1990	49	19	15	33	25	9	70	53

Annex table A1.2. - continued

Country	Year	Rubber and plastics	Non-metallic minerals	Basic metal industries	Fabricated metal industries	Machinery except electrical	Transport equipment	Electrical machinery, electronics professional equip.	Total
<b>LATIN AMERICA</b>									
Argentina	1993	20	6	28	8	8	11	24	25
	1997	19	8	9	8	13	5	26	22
	2002	21	13	12	16	10	7	26	25
Colombia	1993	32	14	12	18	15	15	37	35
	1997	35	14	10	20	17	16	31	36
	1999	34	15	11	20	19	15	34	36
Costa Rica	1997	24	2	53	5	21	11	35	28
	2001	24	12	12	4	24	22	54	32
Mexico	1993	33	8	12	9	9	22	45	29
	1997	27	12	3	12	24	27	67	31
	2001	32	15	11	10	22	33	45	34
<b>DEVELOPED COUNTRIES</b>									
Australia	1993	26	13	8	16	15	15	31	27
	1997	28	11	6	16	14	12	27	26
	2002	20	15	8	15	14	13	29	25
Canada	1993	32	19	9	17	22	18	37	27
	1997	31	16	11	17	20	21	38	28
	2002	31	18	12	15	24	22	37	29
Germany	1997	28	25	16	20	19	16	32	28
	2002	28	24	15	19	18	20	33	28
Ireland	1993	24	15	10	8	25	19	47	31
	1997	29	15	17	13	31	19	51	32
	2001	23	15	19	14	30	20	46	32
Spain	1993	17	10	6	9	10	8	26	22
	1997	15	12	7	7	17	9	23	23
	2002	24	13	7	10	4	17	28	26
Turkey	1993	11	8	3	12	9	5	21	20
	1997	13	8	3	10	11	5	26	22
	2000	12	8	4	10	10	6	23	21
United Kingdom	1993	20	18	4	14	15	7	36	32
	1997	20	18	4	12	14	6	33	30
	2002	22	20	13	20	20	18	29	27
United States	1993	37	20	13	22	22	20	42	33
	1997	36	19	17	22	22	21	41	32
	2000	36	18	15	23	22	22	41	32

Source: Based on ILO Yearbook of Labour Statistics 2003.

**Figure 1. Schematic description of gender inequality in the economy**



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## Chapter 2

# THE “ENGENDERING” OF TRADE FOR DEVELOPMENT:

## AN OVERVIEW OF THE MAIN ISSUES<sup>1</sup>

### INTRODUCTION

Trade has loomed so large on the development policy horizon, particularly since the Uruguay Round of Multilateral Trade Negotiations, that there has been a general tendency to link every conceivable development issue with it. Gender is the latest to make its debut. As can be expected in these early days of “engendering trade”, sceptics ask whether its proponents are not forcing the connection. A gendered perspective of development is seen as a difficult enough task; but to stretch that to the realm of trade is considered an even greater challenge. While not sharing this scepticism, it is to be acknowledged that the trade and gender area is a relative terra incognita, a rich seam of the development and globalization *problematique*, waiting to be mined.

A number of questions have been raised. Is it possible to relate an issue such as women’s welfare in developing countries, which is essentially about social, economic and political relations, as well as cultural ethos, to the seemingly exogenous, global and largely market-related phenomenon of liberalized trade? How would one disaggregate the cause-and-effect aspects of the trade and gender equation: between men and women, between one developing country and another, and between the respective areas and instruments of trade and development policies at national and international levels? Can we convincingly refract our evolving analysis of the trade, growth, poverty and development nexus through the prism of gender? Perhaps, the most elusive goal would be to suggest ways to embed gender positivism into the international trading system as part of the overall efforts towards development positivism.

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<sup>1</sup> This chapter has been prepared by Lakshmi PURI, UNCTAD, Geneva.

Trying to find answers to these questions and issues is part of our quest for insights into what we consider to be a central aspect of UNCTAD's *raison d'être* – promoting a holistic vision of trade for development. There is clear, empirical and anecdotal evidence to substantiate the case for a gendered treatment of international trade issues in order to accelerate the economic growth and sustainable development of developing countries. The starting point is to look at women's role in development and how it links with trade. Their primary responsibility for social reproduction, as care-takers of families and communities, and as purveyors of food and essential services gives them a crucial role in development, and creates its own interface with trade. On the other hand, their growing role in the production of goods and services for the national economy, which is increasingly being sucked into the global economy through trading, is important and makes them active, rather than simply passive players in the trade and development arena. The other element that makes trade an important factor in gender equity and development is that multilateral trade negotiations and regional trade arrangements (RTAs) have gone into "within the border issues" of development policy choices at the national level. Hence, every major move in the trading system can have direct or indirect implications for a country's gender welfare, equity and development goals.

### *UNCTAD's mandate and mission*

Ever since the first World Conference on Women (WCW) in Mexico City in 1975, the United Nations has been in the forefront of mainstreaming gender all across the development continuum. Subsequent WCWs in Nairobi (1985), Copenhagen (1990) and Beijing (1995), the United Nations General Assembly Special Session – Beijing +5 and New York (2002) are testimony to the organization's global commitment to the advancement of women. In 2002, UNCTAD was designated the United Nations system's focal point to lead the Inter-Agency Task Force on Gender and Trade, which was officially launched in Geneva on 17 July 2003. Its primary aim is to create stronger inter-agency cooperation to strengthen thinking and action on how to make trade work for gender equity and the well-being of women in the context of promoting development.

UNCTAD's mandate to deal with trade and development issues in an integrated manner demands that gender equality, a core development issue and objective in its own right, should inform its work. It is also related to UNCTAD's role in helping the international community achieve Millennium Development Goals (MDGs) and put into practice the principles and values set out in the Summit Declaration. In particular, the Declaration indicates a resolve "to promote gender equality and the empowerment of women as an effective basis to combat poverty, hunger and disease and to stimulate development that is truly sustainable." At the same time, it indicates a commitment to "an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system". UNCTAD's trade and gender work will seek to determine how these two commitments can be linked and best implemented.

It is also important to take account of the Millennium Declaration's Principle of Solidarity in considerations of trade and gender. The principle states that "global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equality and social justice. Those who suffer, or who benefit least, deserve help from those who benefit most." This further underlines the compelling need for development solidarity across the globe. Developing countries need to show solidarity in promoting gender equity in their management of trade and development policies nationally. Similarly, developed countries need to take into account gender equity issues as part of their own trade and development solidarity policy towards developing and least developed countries (LDCs). Since trade is a key policy instrument for the attainment of other general goals, such as poverty reduction and sustainable development, clearly the design of trade policies, the multilateral trade framework and negotiations, and the evolution of the international trading system have implications for the relationship between trade, development and gender equity. This implies that a holistic assessment of their impact on economies and societies needs to give due weight to the gender dimension. The Division of International Trade in Goods and Services and Commodities of UNCTAD has undertaken internal sensitization, as part of the organization's new challenge of mainstreaming gender in a proactive way, and necessary research processes have been initiated to introduce the gender dimension into the different trade and development issues it

addresses. The Bangkok Plan of Action adopted at the UNCTAD X Conference makes references to the gender dimension of UNCTAD's work. The UNCTAD XI Conference agenda of ensuring coherence between national development strategies and global economic processes to promote the development of all countries, particularly developing countries, as well as sub-theme III, relating to assuring development gains from the international trading system and trade negotiations, could also be the basis for gender mainstreaming.

UNCTAD's role in the follow-up of major global conferences and its implementation of their mandates, such as those of the World Summit on Sustainable Development (WSSD), which integrates the key role women can play in the definition of new strategies, policies and programmes, is particularly important. Targeting women as the population to empower, when looking for new patterns of sustainable production and consumption might be a way to make more effective the strategies put forward to reach the goals of the Johannesburg Plan of Implementation. Similarly, the effective follow-up of the LDC-III Conference in Brussels and implementation of the Brussels Programme of Action will be incomplete without addressing the gender aspects of poverty reduction strategies, and targeting trade-related commitments made by other partners vis-à-vis LDCs.

### *Trade, gender, poverty and sustainable development*

In keeping with its mandate of emphasizing the human, equity and ethical aspects of the trade and development paradigm, the work of UNCTAD on trade and poverty is seeking to contribute to the resolution of the fundamental moral and humanitarian challenges of the century. Since poverty has a cause-and-effect relationship with gender equity, attention to reducing the gender gap will pave the way towards the attainment of the associated MDGs. In more ways than one, the world's fight against poverty has to begin with women and their growing contribution to productive sectors. Moreover, women as the custodians and daily managers of natural resources can play a vital role in sustainable development. The way they interact with their natural environment and use natural resources, such as water, fuel and forests, could promote or hinder the harmonization of

development strategies with environmental sustainability. Women, who are generally sensitive to the delicate and necessary balance between human beings and their environment, would need to be supported through an appropriate framing of trade issues that would encourage more sustainable patterns of production and consumption. There is therefore a three-way win in positively addressing trade and gender issues: a win for poverty reduction, a win for sustainable development, and a win for a more humane, equitable and ethical global economy and society.

## **1. KEY ISSUES IN “ENGENDERING” TRADE AND DEVELOPMENT**

Women play a fundamental role in the national economy through their contribution to family welfare, household incomes, wealth creation and employment, as well as education and health – all key economic and social indicators. Gender equity would therefore foster economic development and poverty reduction and, in turn, be nurtured by them. The participation of women in different aspects of international trade-related activities and transactions and their outcomes is crucial for determining whether trade is indeed acting as an engine of growth and development. Hence, a gender-sensitive analysis of trade and development issues should be attempted based on the following propositions:

International trade in commodities, manufactures, services and technologies, and the cascading effects of globalization and financial flows do not, in theory, discriminate on a gender basis. But, in practice, they affect women differentially because of prevailing inherent power relations in the world. Gender differences affect supply responses, resource allocation within households and societies, as well as labour productivity. They determine access to ownership and distribution of productive resources – land, financial resources, information and education, and physical and social infrastructure. And these in turn affect the ability to secure an increasing share of the benefits of trade and investment-led globalization.

Gender asymmetry in the benefits accruing from international trade and globalization is largely on account of the asymmetry of gains between developed and developing countries. Often, the marginalization of many

developing and least developed countries, and of the poor and women, from world prosperity and expanding markets go together. Gender considerations in shaping the international trading system and its operations should therefore be made a part of better global governance. Only then can gender equity be genuinely addressed.

Women interact with and are affected by international trade in their capacity as workers – whether rural or urban – as producers and buyers, and as consumers of goods and services. Some aspects of international trade may be positive for them as managers of households, for example, but not as entrepreneurs. As managers of households, cheaper imports would imply lower consumer prices; but for women entrepreneurs in the domestic or foreign markets, well-resourced foreign competition could pose a threat. Rural women may be hit by some trade-related measures, while their urban sisters may well profit. For example, when imported products, sometimes even subsidized, replace rural products in domestic urban markets, rural women producers face loss of demand, markets and income, while urban women may benefit in terms of more consumer choices, higher quality and/or lower prices.

International trade could increase women's incomes, productivity, returns and employment opportunities, provide competitively priced goods and a choice of quality foodstuffs, consumer goods and services. It could also present new and exciting avenues for harnessing their talents and entrepreneurial spirit, reducing poverty levels, workload disparities and wage gaps, and improving infrastructure. There is therefore a positive sum relationship. Anecdotal evidence indicates that in some sectors of production and trade, there has been a positive composition effect through the "feminization" of labour, as well as a compensation effect in terms of higher wages and incomes, thereby helping raise the economic and social status of women. Higher visibility and a better ability to organize opens up new avenues of political empowerment for women involved in production and trading activities.

On the other hand, there are processes of trade liberalization and consequent structural adjustment in developing countries, and trade-related policies of other countries at the national and international levels, that may

result in production and employment displacement effects. Revenue losses could involve closure of social service schemes targeted at women and the poorer sections of society. They could exacerbate inequalities and poverty, impose hardships, result in loss of income and employment, and lower the purchasing power of women. As usual, undercapitalized entrepreneurs and lower skilled workers and women face great difficulties in competing with larger and well-resourced foreign enterprises that have the advantage of new technologies and sophisticated products and sectors.

Given both positive and negative impacts – direct or indirect – of trade policies on gender, it is important to develop analytical tools which would enable an identification and deeper understanding of gender-sensitive sectors and transmission mechanisms of international trade. In the areas where there are clear gains to be had from increasing the participation of women in international trade, or where tangible improvements can be made in women's lives, a positive gender agenda should be pursued in the international trading system. Trade may, on the other hand, adversely affect women in various ways. Where women's interests and needs have to be protected and addressed in the context of globalization and trade policy-making, a defensive and supportive agenda should be elaborated and implemented.

Synergies between national and international strategies and rules, between trade, monetary, finance and development policies, and between relevant institutions and actors – both public and private – need to be developed in a way that will ensure successful linkages between trade, development and gender. In some cases, these may benefit women through development gains and poverty reduction. In other cases, they may need to be specifically targeted because gender-neutral approaches could give rise to unequal gender outcomes. A range of policies and measures at macro and micro levels, taken nationally and internationally, could include specific affirmative actions, compensatory and support mechanisms and relevant flanking measures.

The welcome trend towards the feminization of many sectors of international production and trade has basically had a favourable economic and social impact. Women generally get better terms and working

conditions in trade-related industries than in domestic-oriented activities. Nevertheless, one has to examine this phenomenon carefully in relation to the motivation, and ensure that issues of gender equity do not get compromised. For example, in many sectors it has been found that women are increasingly hired because of employer preference for women workers, whom they view as more docile, non-unionized and willing to accept lower wages as compared to men. This is part of a move towards more flexible labour markets, and the casualization of labour. It is therefore necessary to ensure that the feminization of trade-related productive sectors does not perpetuate existing gender asymmetries, but instead leads to a net improvement in women's conditions and terms of work and to gender equity.

Special and differential (S&D) treatment for developing countries is an integral part of the WTO system. It is important that gender considerations and concerns be mainstreamed in whatever S&D treatment is provided to developing countries, including through preferential market access and safeguards for development purposes, exceptions, extensions, exemptions, transition periods and favourable thresholds, as well as in the provision of comprehensive technical assistance and capacity-building programmes for developing countries. Since the Doha Ministerial Declaration calls for making the S&D treatment provisions more precise, effective and operational, this exercise should be informed by gender-equity considerations.

## **2. WOMEN IN AGRICULTURE AND COMMODITIES**

For more than 50 commodity-dependent developing countries, the main burden for development and economic growth is borne by the commodity sectors, namely agriculture, fisheries, forestry and mining. In these countries, there is a high concentration of women in the global commodity chains. In agriculture, for example, women constitute 50 per cent of the agricultural work force, and produce 60–80 per cent of food crops (WHRnet, 2004). Similarly, they carry out over 50 per cent of economic activities especially in the up-stream as well as value-adding activities such as processing, labelling, marketing and after-sale services, where their presence is known to be high (Fontana, Joekes & Masika 1998, p.3). In the

light of the high concentration of women and girls in global agricultural commodity chains, especially production and value-added activities, it is inevitable that gender inequalities affect trade performance (Çagatay, 2001), slowing economic growth and poverty reduction (World Bank, 2001) in commodity-dependent developing countries.

In the minerals and metals mining sector, women play a significant role in small-scale mining, comprising up to 50 per cent of the work force (Jennings, 1999), and this is in inverse proportion to the scale of operations. Of the world's 13 million small-scale mine workers, about 4 million are women (ILO, 1999a) and a further 1.5 to 2 million could be involved indirectly (ILO, 1999b). The proportion of women employed in this sector varies widely both by country (5 per cent in Malaysia, 30 per cent in India, 30 per cent in the United Republic of Tanzania and 50 per cent in Zimbabwe) and by region (10–20 per cent in Latin America, 60 per cent or more in much of the African region and less than 10 per cent in Asia (ILO, 1999b)). The involvement of women is in extraction, processing, sorting, packaging, trading and the provision of services. Most women are engaged in activities associated with the production of gold, gems, diamonds and other types of precious and easily extractable minerals, and participate as miners, entrepreneurs and traders. Interestingly, since this is essentially a rural activity, it enables rural women to have alternate sources of employment and income without having to move to urban areas. However, most of the participation, as in the case of agriculture in most countries, is at a subsistence level, even though small-scale mining accounts for 15–20 per cent of world mineral production.

Many of the problems of commodity-sector development and trade that developing countries – especially commodity-dependent ones and LDCs – face are visited upon women. There is a direct connection, for example, between low farm-gate prices, value retention, value-chain participation by developing-country producers and declining terms of trade on the one hand, and the conditions of women on the other. Thus any improvement in the situation and ameliorative measures – whether market-based or governmental, and whether trade-related or aid-related – taken at the international and national levels, would have a beneficial impact on gender equity in commodity producing and exporting developing countries. In the

context of trade negotiations, the reduction and removal of agricultural subsidies by developed countries would benefit women agricultural producers in many developing countries in that they would then be able to compete fairly in international markets, whilst being able to receive sustainable producer prices. In net-food-importing developing countries, there is of course some likelihood of an increase in food prices, which would affect women as consumers in those countries, and hence, there is need for an adjustment support mechanism to ensure their food security.

### 3. EFFECTS OF TRADE IN MANUFACTURES ON GENDER

It is estimated that developing-country participation in world exports of manufactures stood at 41 per cent, while manufactures represented about 64 per cent of total developing-country exports in 2001 (UNCTAD, 2003b). Women play a significant role in production and trade in manufactures in many developing countries, in areas ranging from micro- and small-scale activities to large assembly-line operations; and from handicrafts, toys and food processing to pharmaceuticals, electronics, telecommunications and computer hardware. But the textiles and clothing sector is unquestionably one of the most gender-sensitive, as well as poverty-sensitive sector of production and trade for developing countries.

Cutting across the rural-urban divide, women have long been involved in the textiles and clothing sector of developing country manufactures and exports. This is also a sector which continues to be labour-intensive, is mostly small-scale and informal, and engages women at all skill levels – from upstream to downstream activities. They may, for example, pick cotton, spin yarn, weave fabric, stitch garments, finish and design them, and be involved in marketing and exports. The fashion industry – one of the more creative and lucrative industries – has a pronounced gender accent. Another element, which gives the textile and clothing sector its special gender focus, is the fact that women are the custodians and preservers of age-old textile-related designs, techniques and a way of life that represents the cultural heritage of different countries and civilizations. Be it *khadi* or handloom in India, *kente* in Ghana, traditional cloth in Ethiopia or *axsu* in Bolivia, the close linkages between women, textiles and culture are

reinforced in the context of the re-emergence of textiles and clothing as global products.

Textiles and clothing is one of the most important sectors in which many developing countries enjoy international competitiveness, and the share of textiles in their exports, as well as their share in global trade in textiles is considerable. This is despite the fact that the sunset textile industry of developed countries has been protected against developing-country exports for over 40 years through quota restrictions imposed under the Multi-Fibre Arrangement (MFA) and the Agreement on Textiles and Clothing (ATC). As a result, a special pattern of international production and trade has been established. On January 1, 2005 the discriminatory trade regime will come to an end with the expiration of the ATC, and textiles and clothing will be fully integrated into the normal WTO rules and disciplines. As a result, huge income and welfare gains are expected, signifying greater opportunities and improved prospects particularly for the welfare of women in developing and textile-exporting countries. However, at the same time, the transition into the normal trading system from the previously distorted system will pose a set of challenges for women in countries whose exports were previously subject to quota restrictions, and those that were exempt from such restrictions under various schemes. There is also concern that because liberalization for 80 per cent of textiles and clothing imports into developed countries has been left to the very end, there might be a tendency for developed countries to resort even more to anti-dumping, and safeguard and contingency measures.

#### **4. WOMEN AND THE DEVELOPMENT OF TRADE IN SERVICES**

Women have become prominent in the services sector of developing countries and the trend is towards growth of this sector. In developing countries, in 2002 the average share of services in GDP was almost 55 per cent, and in their total trade it was 17 per cent (World Bank, 2004a). Their participation in international trade in services was 23 per cent of a total of \$1.6 trillion of world exports of services, as against 32 per cent of \$6.4 trillion in world merchandise trade in 2002 (World Bank, 2004b). There is a noticeable feminization of the services sector, including those services involved in international trade, such as agricultural, retailing and

distribution, professional, ICT, educational, tourism, financial, audiovisual, environmental and telecommunication services (UNCTAD, 2003a). A new and interesting trend is that of more and more services, particularly software, IT-enabled and business processing services, employing an increasing number of women, being outsourced by developed country enterprises to developing countries. In India, the business process outsourcing (BPO) sector boasts of a high percentage of women in its workforce, in some cases between 50 and 60 per cent (UNCTAD, 2003b). Another area where women seem to have a specific competitive advantage is in “caring services” in the broader sense, including health, child and elderly care, hospitality services, domestic services and personal care services. In the context of privatization and liberalization of essential services, such as water and energy, the issue of universal and affordable access is an important priority, particularly from a gender perspective.

Developing countries have stressed the importance of implementing GATS Articles IV and XIX relating to increasing the participation of developing countries in the international trade in services. They have sought enhanced multilateral commitments to market access from developed country partners in the services sectors, in both the modes and sectors of service supply of current and potential export interest to developing countries. In this context, Mode 1 (cross-border trade) and Mode 2 (consumption abroad) are of interest, and some developing countries have also used Mode 3 (commercial presence) successfully; but it is Mode 4 (movement of natural persons) that is considered to be of maximum benefit. This is because, for most developing countries, labour at all skill levels constitutes their unique comparative advantage in international trade in services and it is only through the use of Mode 4 that many of these countries are able to participate in a number of labour-intensive sectors of international trade in services. Mode 4 also has a clear gender specificity in certain sectors.

For the majority of women, Mode 4 provides the only opportunity to obtain remunerative employment through temporary movement abroad to provide services. It has been found to have a net positive effect on the economy of the home country and on poverty reduction. There are dramatic examples of how remittances from female domestic service suppliers from Bangladesh, Ethiopia and Sri Lanka, nurses from Jamaica, Malawi and the

Philippines, nurses and doctors from India and South Africa, agricultural service suppliers from Honduras and Mexico, and personal care providers from the Latin American and Caribbean countries, have substantially improved women's status in their home countries and augmented their command over resources. An important area of inquiry is how much of the recorded \$93 billion of annual remittances received by developing countries, mostly from temporary workers, is on account of female temporary services providers (World Bank, 2004c). It is likely to be quite substantial with an overall beneficial impact on gender equity, poverty reduction and development in developing countries. Enhancing the level and quality of multilateral market-access commitments in Mode 4, simplifying procedures and requirements for Mode 4 visas, and facilitating recognition of skill qualifications will give developing countries, including their women, meaningful opportunities to participate in and derive benefits from the liberalization of international trade in services.

## **5. GENDER, TRADE AND ENVIRONMENT**

Certain trade and environment issues have a clear gender dimension. Women play a key role in the production of some environmentally friendly goods and services such as organic agricultural products, medicinal herbs and plants, biodegradable natural fibres and certain renewable energy products. International trade provides a market outlet for such products and may, at times, also result in price premiums. However, tariff and non-tariff barriers can create problems. The WTO has a role to play in addressing such problems, for example in the context of the Agreement on Technical Barriers to Trade. In some cases, non-tariff barriers could also be addressed in the context of negotiations on environmental goods and services under paragraph 31(iii) of the Doha Ministerial Declaration. However, using criteria based on non-product-related process and production methods (PPMs) to define environmental goods in the context of the WTO negotiations does not seem to be a good approach.

Women also play a key role in certain environmental services, such as recycling. This should be taken into account when considering the impact of possible liberalization in environmental services in the context of the negotiations on services. Further, it has been argued by developing

countries that in addressing the relationship between trade measures used in certain multilateral environmental agreements and the rules of the multilateral trading system, one should not lose sight of the fact that trade measures, when deemed necessary, are normally used as part of a wider package that also includes supportive measures, financial and technical assistance and capacity building with a view to reducing adjustment costs to developing countries.

## **6. TRADITIONAL KNOWLEDGE**

Genetic resources, traditional and community knowledge and folklore have gained economic value almost as much as patented inventions based on high technology, research and development. For example, according to the World Health Organization (WHO), traditional medicine or complementary/alternative medicine serves the health needs of 80 per cent of the world's population in developing countries (WHO, 2002a, 2002b). At the same time, it is becoming commercially viable and popular in major developed-country markets. Several types of biogenetic resources, which have been used traditionally for therapeutic, cosmetic, health care or herbicide purposes, are being widely marketed under different guises in developed-country markets with or without authorized patents. Similarly, there are areas of folklore, dance and music, which have been appropriated and commercially exploited without disclosure and prior informed consent, and without any sharing of the benefits with the communities that have been the inventors, owners and keepers of this knowledge.

Women in many developing and least developed countries have a strong presence and role in the creation and preservation of traditional knowledge. Its appropriation by developed-country actors often denies women vital economic and trade opportunities, based on their unique and sometimes only comparative advantage. It is therefore clear that the framework for intellectual property rights (IPRs) in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), designed to meet the needs of inventors engaged in high-technology R&D, should be extended to the keepers of genetic resources, traditional and community knowledge and expressions of folklore. Women would benefit considerably if measures were to be taken nationally to adopt legislation to preserve,

protect and promote traditional knowledge. At the international level, intellectual property protection specifically tailored for the protection of traditional knowledge and ensuring disclosure, prior informed consent and fair access and benefit-sharing would be good for gender, biodiversity, cultural diversity, as well as trade and development.

## **7. MARKET ACCESS, MARKET ENTRY AND COMPETITIVENESS ISSUES**

It is true that the successive rounds of multilateral and regional negotiations on market access have focused on the reduction and elimination of tariffs and some non-tariff barriers such as quotas. There are also a number of schemes such as the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA) of the United States, the Everything-But-Arms (EBA) Initiative of the EU and other preferential market-access arrangements offered by developed countries to developing countries and regions and LDCs, which need to be strengthened and, possibly, given a positive gender dimension. Despite these initiatives, there is still a need to remove barriers in various sectors, especially those that are gender-sensitive and of export interest to developing countries. Tariff escalation and tariff peaks in developed-country markets that tend to inhibit the ability of women entrepreneurs to diversify their exports also need to be removed.

However, a more urgent and pervasive problem for developing-country exporters – particularly under-resourced women exporters – is the plethora of market-entry conditions and requirements, both governmental and voluntary, which they find difficult and costly to meet. These include technical barriers to trade (TBTs), sanitary and phyto-sanitary (SPS) standards, and a host of product and process standards and regulations, and complicated and restrictive rules-of-origin provisions, as well as concentrated and anti-competitive market structures. These conditions become entry barriers, erode the competitiveness of women-intensive exports, and tend to block effective market access for gender-sensitive exports of developing countries, such as agriculture, textiles and electronics.

According to estimates by the International Trade Centre (ITC) of UNCTAD/WTO (2001), 80 per cent of internationally traded goods are subject to measures taken by governments for environmental, safety and human health reasons. Voluntary private-sector standards, however, constitute an increasing challenge for women producers and exporters from developing countries. Unless these market-entry barriers are dealt with through negotiations as well as through specific capacity-building and technical cooperation measures and support, it will be difficult to claim that international markets are genuinely open and liberalized for developing-country women exporters. Steps also need to be taken to enable developing countries to deal with anti-competitive practices of foreign enterprises in their own markets, and those practices that confront smaller, mainly women-owned, national enterprises in international markets. Such practices include: abuse of dominance of market power or abuse of buyer power; cartelization, such as market sharing and collusive tendering; and anti-competitive mergers. Developing countries need to adopt competition policies that give women-run enterprises and women as consumers a fair deal.

## **8. TRADE-RELATED INVESTMENT MEASURES, INCENTIVES AND AFFIRMATIVE ACTION**

Performance requirements are stipulations imposed by host country governments on affiliates of foreign corporations to act in ways that can enhance the benefits of inward flows of foreign direct investment (FDI). In the context of “engendering” trade-related investment in developing countries, those performance requirements that are permitted under the WTO Agreement on Trade-Related Investment Measures (TRIMs) could be refined and targeted to include gender-friendly provisions. Performance requirements that are amenable to such targeting are export performance, transfer of technology, and training and employment of local nationals. In addition, the investment incentives that developing countries offer to foreign and local investors could also be adapted to promote, for example, increased hiring of women and more favourable treatment to sourcing from women-run enterprises. Through these measures, foreign and domestic trade-related investments could be made to promote gender equity and give

women a fair chance to compete. Such performance requirements would have the effect of counteracting in some way the anti-competitive practices that women entrepreneurs and their small and medium enterprises, in particular, face.

Particular attention could be paid to granting investment incentives to local micro, small and medium firms, especially those owned and operated by women, in order to offset some of the exclusions and inequalities of the past. For instance, in the United States, the city council of Baltimore passed an amended Minority and Women's Business Opportunity Ordinance in 2000, which includes several measures to remedy past discrimination against minority- and women-owned businesses in the award of city contracts. Annually, the city's Board of Estimates must establish "participation goals" for minority and women's businesses in each area of city contracting and procurement, based on availability of qualified businesses and other factors (City of Baltimore, 2000).

Another example is the South African Technology for Women in Business (TWIB) programme, which was set in motion in response to concerns about restricted access to technology for women-owned small businesses in South Africa. This programme provides business development service providers and parastatals incentives to offer special programmes for women entrepreneurs. Under this programme, Telkom, the South African telecommunications company, has offered small business women assistance in tendering for contracts and provided exemptions from the customary performance guarantee conditions linked to the award of a tender (Riba, 1999).

## **9. TRIPS, PUBLIC HEALTH AND WOMEN**

One of the trade-related areas which has significant implications for social equity, including gender equity, is the TRIPS Agreement and the way it is interpreted and applied. A major public interest issue is that of affordable access to medicines by the poor to enable developing and least developed countries to deal with their public health problems, especially those associated with HIV/AIDS, tuberculosis, malaria and other epidemics. At Doha, and later, through a decision adopted just before the Fifth WTO

Ministerial Session in Cancun in September 2003, an attempt was made to put in place a mechanism that would allow developing countries with insufficient or no manufacturing capacity to import generic medicines from supplying countries, under certain conditions. It is hoped that the spirit and substance of the Doha Declaration on the TRIPS Agreement and Public Health will be implemented through easy-to-use, legally secure and effective mechanisms to assist importing developing countries and enable them to use the flexibilities available in the TRIPS Agreement without challenge.

The humanitarian and gender imperatives of striking a balance between TRIPS and public health are illustrated by the AIDS epidemic, especially in Africa. Worldwide, AIDS killed over 8,200 people each day in 2003 (UNAIDS, 2003). Decisions at Doha took account of the human consequences concerning access to medicines, which are of special significance to women, as they are two to four times more vulnerable than men to the risk of HIV infection. In Africa, the HIV prevalence rate in 2003 was 7.5–8.5 per cent (UNAIDS, 2003). In sub-Saharan Africa, women accounted for about 58 per cent of adults infected, and for 67 per cent of young persons living with HIV/AIDS in the region, compared to 33 per cent of infected young men between the ages of 15 to 24 years (UNFPA, 2003). Some 52 per cent of those who died from AIDS globally were women. Those suffering from AIDS require antiretroviral (ARV) drug therapy that extends their lives and reduces losses of precious human capital. For women in particular, the drug AZT is needed to stop mother-to-child transmission of the disease. Thus both these treatments are essential for women and children in affected countries (WHO, 2000). Given the low capacity of women to purchase patented drugs, which are expensive despite the lowering of prices, the ability of governments to meet public health emergencies needs to be supported through compulsory licensing or import of low-cost generic medicines that will make a significant difference in the fight against AIDS in developing countries.

## 10. INCORPORATING GENDER INTO DEVELOPMENT BENCHMARKS

UNCTAD has identified a number of development benchmarks, which could be used to assess the positive development impact and implications of the international trading system and trade negotiations. These, *inter alia*, include openness and liberalization, harvesting development gains for developing countries, providing equitable treatment for unequal partners, ensuring policy coherence, serving public interest, and addressing the commodities *problematique* satisfactorily. In all of these benchmarks, it would be important to insert the gender dimension. For example, while assessing openness of the trading system, gender intensive sectors of developing country export could be given particular attention in terms of calibrating own efforts at liberalization by them and enhanced and predictable market-access and market-entry efforts of developed countries. Similarly, gains from each area of trade negotiations – agricultural or non-agricultural market access (NAMA) – could home in on gender. In looking at policy space and S&D treatment, defensive and affirmative measures and policies highlighting the gender angle need to be identified and implemented. Policy coherence would involve dealing with other policies like financial, fiscal, social security, transfer of technology, small and medium-sized enterprises (SMEs), industry, agriculture and services-related policies and measures in the context of national, regional and international development strategies, in a gender-friendly way. An important area relates to assessing levels and costs of obligations that trade agreements impose on women in developing countries, the national capacity to meet them, and the adequacy of resources made available by the international community. In the case of the public-interest benchmark, it is suggested that the trading system should be guided by considerations of those public interest issues which are particularly relevant for women, such as poverty eradication, fighting infectious diseases and provision of universal access to essential goods and services.

Technical assistance and capacity building are of course crucial for addressing concerns about the effects of trade policies on women's welfare. Programmes and projects for technical cooperation and capacity-building will need to be specifically targeted according to the trade-related areas that

they are dealing with, for example helping women producers and exporters understand and equip themselves to cope and comply with SPS measures and TBT requirements in their exports markets.

The issue of “engendering” trade is in many ways a sensitive one because of its ramifications for development in general, but more specifically in the context of human rights, labour standards, distributional issues – between men and women and regions, within countries and between countries – cultural and religious beliefs and values. It is therefore important to assess the gender-related impact of trade from the development perspective rather than risk derailment by bringing in other approaches. Questions have also been raised as to whether or not the gender issue should be brought into the formal negotiating processes in the WTO and in regional trade agreements and elsewhere. Our case is that this would not be feasible and desirable, and that it may even be counterproductive in that it could well be used as a condition serving protectionist purposes, with resulting negative impacts both in terms of trade and women’s welfare. The approach should rather be to use the insights that we gain from examining the trade and gender relationship to strengthen the development rationale in the international trading system and in trade negotiations, both for purposes of enhanced market access for developing countries as well as for the retention by these countries of policy space to deal with gender and development concerns. Moreover, in the context of development benchmarks, promotional tools for gender advancement would need to be crafted as part of dedicated governmental, corporate and NGO efforts.

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## Chapter 3

# AGRICULTURE, TRADE AND GENDER<sup>1</sup>

### INTRODUCTION

Millions of people around the world depend on agriculture, directly or indirectly, for their livelihoods. According to FAO estimates, farming is the only source of income for an estimated 70 per cent of the world's rural poor, many of whom are small farmers. Therefore it remains a sector of major concern for many developing countries, especially least developed countries (LDCs).

Since women and men in developing countries play different roles in agriculture, and historically have different degrees of access to and use of productive resources, trade liberalization necessarily will have different impacts on the two genders. Moreover, since women and men often have different levels of education, income and abilities, their capacity to respond to policy changes also varies. Thus, in some instances trade liberalization will result in a widening of the gender gap and in others it will cause it to narrow, depending on the activity and circumstances.

Agriculture throughout the developing world is struggling. Estimates of per capita agricultural production for domestic and export markets showed it to be declining throughout the 1990s. In particular, LDCs continue to be marginalized from world agricultural markets; they accounted for only 1 per cent of global agricultural exports in the late 1990s. Indeed, despite all the economic opportunities associated with increased globalization and international trade, small farmers in developing countries are often unable to

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<sup>1</sup> This chapter reflects preliminary findings and analysis of a more long-term initiative undertaken by the Food and Agriculture Organization of the United Nations (FAO), Gender and Population Division, in collaboration with the Trade and Commodities Division. It has been prepared by Zoraida GARCIA, with contributions from Jennifer NYBERG, both of the FAO, Rome.

compete in overseas markets, and, frequently, even in their own domestic markets they are unable to compete with foreign imports.

Small farmers – both women and men – in many developing countries face a particular set of constraints relating to lack of credit, inadequate rural infrastructure, lack of technology, lack of adequate land-tenure systems and, in some cases, civil conflict. All these constraints have an impact on employment, household food security and income. More significantly, agricultural subsidies and tariffs utilized by many developed countries to support their own farming sectors continue to have an adverse impact on the sustainable development of agriculture in many of the world's poorest countries and may threaten women's and men's livelihoods and food security in different ways.

All these challenges are often exacerbated by agricultural systems where the gender-based division of labour tends to be inflexible and where traditional approaches are increasingly undermined by globalization processes. Furthermore, there are pronounced differences in how women and men participate in the cultivation of food crops compared to the commercialization of cash and export crops. In sub-Saharan Africa, food crops produced for household consumption or for the local market, such as vegetables and tubers, generally tend to be cultivated and marketed by women, while commercial or industrial crops, cultivated on a much larger scale either for direct export or for further processing (e.g. cotton and sugar), are more frequently the economic domain of men.<sup>2</sup>

The lack of gender-disaggregated statistics in agriculture continues to be one of the major constraints on generating an in-depth analysis of the gender-related dimension of the current transformation of the agricultural sector, and of the possible implications of ongoing agricultural trade reforms. However, assessments are needed of the gender-differentiated impacts of trade liberalization and adjustments, particularly as “seemingly neutral market

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<sup>2</sup> FAO estimates that in sub-Saharan Africa and the Caribbean, as much as 80 per cent of basic foods are produced by women, and in South and South-East Asia 60 per cent of cultivation work and other food production is done by women.

mechanisms and macroeconomic policies can reinforce social biases and inequalities.” (Gammage et al., 2002).

This chapter on gender-related issues within the context of agricultural trade liberalization is organised as follows: section 1 provides contextual information with a brief review of women’s contribution to agriculture; section 2 examines the gender implications of trade liberalization by analysing the experiences of selected developing countries; section 3 considers the main agriculture-related features of trade agreements, both multilateral and regional; section 4 takes a broader look at the main implications of agricultural trade for small-scale farming, the opening up of economic opportunities for women and other aspects of relevance to a gender perspective. Finally, section 5 presents some conclusions and recommendations.

## **1. WOMEN’S CONTRIBUTION TO AGRICULTURE**

Agriculture continues to play an important role in most developing economies, both as a major contributor to their export earnings and as a source of employment and livelihood. Official statistics often underestimate the value of women’s work and overall contribution to national wealth. Women still provide a large proportion of the labour that goes into agriculture,<sup>3</sup> including, as self-employed food producers or as workers (for the situation in the fisheries and forestry sectors, see box 1). Two thirds of the female labour force in developing economies is engaged in agricultural activities (FAO, 2003a).

### **Box 1. Gender-based division of labour in fisheries and forestry**

#### **Fisheries**

Women are extensively, though not exclusively, engaged in post-harvest handling, preservation (such as salting, smoking and drying), processing (such as making fish paste and cakes) and marketing activities. Although processing and marketing offer many opportunities for making profits, these require access to capital

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<sup>3</sup> Women have always worked as producers of food and other products in rural areas. However, official statistics are determined by reporting according to official definitions of agricultural work, which often tend to exclude women’s contribution to agricultural activities, despite efforts to improve gender-differentiated data in agricultural census and household surveys.

equipment, technology, know-how and education, which women do not generally have. For a similar reason they tend to be involved mainly in semi-processing due to the large capital investment required in full processing.

Women's involvement in the fish trade and in onshore activities is being transformed by modernization. Just as in other food sectors the effects of sophisticated sanitary and phytosanitary (SPS) measures and hazard analysis and critical control point standards, entail high costs that tend to exclude small producers and processors from the export supply chain. With modernization, landing of fish has become increasingly centralized at fish ports instead of along beaches where women have traditionally participated in hauling, sorting, processing and sale of fish. The transportation of large quantities of fish would require considerable capital, which women normally do not possess (Vera, 1999).

Women are mainly involved in artisanal and inland fisheries. In Africa, they fish the rivers and ponds. In Asia, where fish is an integral part of the diet of many cultures, women are active in both artisanal and commercial fisheries. In parts of India, women net prawns from backwaters; in the Lao People's Democratic Republic, they fish in canals; and in the Philippines, they fish from canoes in coastal lagoons. In many areas, women have also assumed a leading role in the rapid growth of aquaculture. They often perform most of the work of feeding and harvesting fish, as well as in processing the catch. In Lesotho and other Southern African countries, women are prominent as managers of small household ponds. The fish produced in these ponds are either eaten by the family or sold to purchase other foods. It is also observed that if a fishery activity is enlarged or mechanized, it often becomes the domain of men (FAO, 2004).

### **Forestry**

While the principal commodity obtained from forests is timber, non-timber products such as fruits, nuts, rattan, medicinal plants, and fuelwood are a significant source of livelihood for forest populations, both as income generators and for domestic use. Many developing regions, and particularly Africa, are dependent on wood for use as fuel. For example, over 50 per cent of the rural population in Central America, 62 per cent in Honduras and 57 per cent in El Salvador depend on wood for energy (Thrupp and Mayorga, 1994)

Men are generally responsible for cutting large trees, clearing land for agriculture and extracting commercial timber. In contrast, women are only occasionally involved in forest enterprises. They tend to work as wage labourers or as marketers of non-wood products from trees. This gender-based division of labour is rooted in both cultural traditions and socioeconomic disparities.

Women's use of forest products for fuel, food and medicinal purposes has provided them with a unique knowledge of such products, enabling them to be custodians of forest resources. Therefore, they tend to have a vested interest in ensuring and

improving a sustained supply of trees and tree products to meet their needs (Thrupp and Mayorga, 1994). However, as the legal owners of the land, men can choose to sell the trees as a cash crop, and men tend to be the focal point for receiving subsidies and services (World Rainforest Movement, 2001). Gender-based inequalities are often aggravated when communally owned forest resources are privatized. Through privatization, land titles are usually given to heads of households, which completely excludes women from the management of forest resources.

Harvesting non-timber products normally involves low technology, but it is also a knowledge-intensive activity particularly suited to women in forest areas, and provides them with considerable income. For example, extracting palm kernels from the babacu palm is the single most important source of income for the poor women of Maranhao, Brazil. This kind of activity can be relatively easily combined with other household chores. But as in many other cases, development and modernization of the business and increasing income potential lead to men replacing women. For example, when machines replaced hand-stitching of sal plates in India, men displaced many of the women who, as a result, were left without work. In another case from India, implementation of a formal forest management plan to promote extraction of non-timber forest products also led to men taking over what had been primarily a women's activity. In Papua New Guinea, women were unable to participate in a galip nut commercialization project because the project centralized the processing activities in a town located far from the women's households (Neumann and Hirsch, 2000: 28-33).

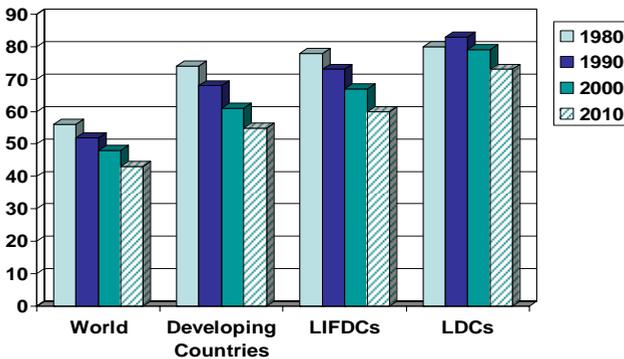
When projects include specific components for women, this can help them increase their political power and their ability to defend their economic interests. In Ghana, women have enthusiastically embraced the creation of a leaf gatherers' association that has strengthened their ability to negotiate with the forestry department and their political influence within their villages. Over 1,300 women farmers in Uganda benefited from a shea butter project designed specifically for them. Furthermore, in several cases women have shown an interest in becoming more involved in commercial production and marketing. In Botswana, the basket industry has expanded, its quality has improved and exports have grown, resulting in increased revenues. Basket weaving has thus become an important source of income for rural women, despite the low returns on labour (Neumann and Hirsch, 2000: 32).

Source: UNCTAD

While the proportion of the economically active population working in agriculture at the global level declined during the 1990s, the proportion of economically active women working in the sector remained at nearly 50 per

cent, and even increased in developing countries (61 per cent) and LDCs (79 per cent). Furthermore, FAO projections through 2010 indicate a decline in the overall female participation rate in agriculture globally, although in the LDCs it is projected to remain at above 70 per cent (see figure below).

**Percentage of economically active women working in agriculture, 1980 - 2010 (projected)**



Note: For a definition of low-income food deficit countries (LIFDCs), see <http://www.fao.org/FOCUS/E/SpecIPr/LIFDCs.htm>

Part of this overall decline is attributable to a shift of rural populations from agriculture to off-farm employment and to increased migration, especially of men, to urban areas in search of off-farm activities. As a result, the number of female-headed households is increasing globally and women are assuming more responsibility for the family farm, for the production of cash crops and participating in food processing activities in order to increase family incomes. All this in the face of numerous challenges, such as greater economic vulnerability to global market forces, traditional foods becoming less economical to produce, declining rural incomes, more input-intensive commercial agriculture, and the increasing control of productive resources by agribusiness. In addition, as a result of local and regional crises, such as civil conflicts and AIDS, women are being required to care for orphaned dependents.

Studies have shown that resources controlled by women are more likely to be used to improve family food consumption and welfare, reduce child malnutrition, and increase overall well-being of the family (see, for example, Kabeer, 2003). Food security and family well-being are thus important reasons for protecting or enhancing women's access to and control over land and other productive resources. Thorough assessments of how trade liberalization may or may not affect food security, nutritional status and/or access to agricultural inputs and other productive factors – from a gender-differentiated perspective – would be important and a crucial contribution to the successful development of any programme or policy ultimately concerned with improving food security or reducing poverty.

Throughout Asia and the Pacific region, women's contribution to the overall economy is high, and particularly in terms of labour input in agriculture. Countries such as Bangladesh, Bhutan, Cambodia, China, India, Myanmar, Nepal, Pakistan and Viet Nam have particularly large proportions of women employed in the agricultural sector, ranging from an estimated 60 per cent to as much as 98 per cent. Indeed, in most Asian countries the number of women employed in agriculture as a percentage of the economically active population is higher than that of men. As FAO reports, "this finding is even more significant given that data for the economically active population in agriculture tends to exclude the unpaid work by rural women in farm and family economies. If unpaid work were included, the figures for female employment in agriculture would be even higher." (FAO, 2003b).

In Latin America as well, recent research has shown that there has been an increase in female participation in agriculture (both subsistence and commercial farming), from 15 per cent in 1990 to 20 per cent in 1999. There has also been a significant increase in the number of rural households headed by women over the past two decades, and these women, typically involved in agriculture, are usually the primary source of income for their families (FAO, 2003b). At the same time, poverty levels have increased, from 60 per cent in 1980 to nearly 64 per cent in 1999, and the absolute number of people living in poverty has risen. However, the relative lack of gender-differentiated data makes it difficult to fully assess how gender may be related to increased poverty and female-headed households in the region. Various studies have

generally concluded that the social and institutional constraints faced by women in relation to equal access to economic opportunities and productive resources – such as land, credit, technology and market information – increase their vulnerability to economic shocks, whereas men may not face similar constraints.

Women in the Caribbean, as in most developing countries, play important roles in household food security and as income earners, nurturers, managers of natural resources and biodiversity, with or without a male presence in the household. However, their success in these roles often depends upon their degree of access to land, labour, capital and technology. In Jamaica, for example, the majority of women farmers – who are principally engaged in food production for domestic consumption – are smallholders, their average farm size being significantly smaller than that owned by men. Thus production constraints related to land tenure and access tend to affect women much more than men in that country.

## **2. IMPACT OF INTERNATIONAL TRADE IN AGRICULTURE ON GENDER EQUITY: SELECTED COUNTRY CASE STUDIES**

Current trade liberalization strategies emphasize the need for an export-driven economy. In recent years, developing countries have tailored their domestic agricultural policies to respond to changes associated with the expansion and liberalization of international trade. The review of selected commodities and country-specific experiences in this section illustrates some of the issues related to domestic agricultural export strategies and the effects these have had on the welfare and livelihoods of women.

As trade liberalization strategies are geared towards increasing export-oriented production, women involved in subsistence farming are often neglected, and their unpaid work on family farms is not reflected in national accounts. As a consequence, this non-economic or unpaid work is not reflected in the design of agricultural policies, thereby contributing to the marginalization of women in the economy. However, women's work is often integral to the functioning of smallholder farms through their sustenance and post-harvesting activities.

Furthermore, in many countries women are also the main providers of food for their household.

As is shown in the following country case studies, women are responsible for 60–90 per cent of total food production in their respective countries. Government incentives in developing countries, that have the effect of shifting increasing land and labour to export-oriented crop production, may force women to seek employment in the export-oriented sector, which would reduce their time spent tending farm plots that are the basis of food security. This would increase women's dual burden: their responsibility for earning an income and for fulfilling their role as food providers for their household. On the other hand, if women are "absorbed" into the export-oriented sector this could raise their income-earning capacity.

The issue of resource allocation is an important one because, as many developing countries are gearing their policies towards trade liberalization, agriculture smallholders, and especially women farmers, tend to be dislocated from the land they tend for household food production. Moreover, the increased female labour input into agricultural exports is not accompanied by greater access to or control of agricultural resources. As in the case of Uganda, a large proportion of women engaged in the export sector are not directly involved in marketing and therefore do not necessarily benefit from it. Moreover, it is often the men who control household income.

As to whether women have benefited or not from trade liberalization, this is a complex issue. The following selected country case studies attempt to throw some light on the various aspects to be considered in carrying out a gender-based analysis of trade.

## **2.1. Ghana: production of non-traditional agricultural exports**

### *2.1.1. Agriculture and the policy environment*

Agriculture is the predominant economic activity in Ghana, employing 55 per cent of the workforce and contributing to 45 per cent of the GDP (FAO, 2003c). Approximately 70 per cent of the rural population depends on

agricultural activities as a source of income. Smallholder farmers on family-operated farms, the majority of whom are women, account for 80 per cent of the country's total agricultural production (FAO, 2003c).

During the last decade, Ghana implemented a structural adjustment programme, with trade liberalization as a major component. In 1990 the Government formulated the Medium-Term Agricultural Development Strategy (MTADS), which had an outward-looking focus emphasizing export promotion. The economy of Ghana has been dependent on the production and export of cocoa. As the price of cocoa<sup>4</sup> declined in world markets at the end of the 1980s, the Government began to emphasize the need to diversify its agricultural base and promote non-traditional agricultural exports (NTAEs), such as fish, fish products, oil palm, rubber, pineapples and bananas.

Although the MTADS aimed to improve food security and rural employment, resources were mainly allocated to the export-oriented sector, and institutional means were not provided for food crop production. Under the NTAE strategy, the area for the production of pineapples is estimated to have more than quadrupled between 1985 and 2000, making this the leading export by value, accounting for about 40 per cent of the total export earnings of this sector. The growth rate of pineapple production exceeded the growth rates of production of food crops such as cereals and starchy staples. The value of Ghana's exports of horticultural products more than doubled during the period 1995–2000.

### *2.1.2. Women's contribution to the agricultural sector*

In 2003, 49.4 per cent of the female population was employed in the agricultural sector, compared to 51.7 per cent of the male population (FAO, 2003c). The majority of women are food producers working in joint family farms and tending their own land for household food production; only a small percentage are independent farmers. About 90 per cent of women in Ghana are self-employed or work as unpaid family labour in agriculture, agro-based enterprises, or small-scale manufacturing in the informal sector characterized by low productivity and low incomes (Fontana, Joekes and Masika, 1998: 15-

18). In periods of labour shortage, women are often engaged in post-harvesting activities on cocoa plantations, without any remuneration.

Societal and cultural restrictions have limited women farmers' potential for expansion of their activities. Uncertain access to land and a history of losing land rights have discouraged women's long-term investments in or improvements of their own land, even though they are responsible for household food security. Allowed access mainly to less fertile land, women are often able to cultivate only cassava and other food crops, while men cultivate the more fertile land with cash crops.

Economic reforms have largely benefited medium and large farmers in the cocoa sector, where few women are employed. Women's ability to participate in paid labour activities, particularly in the export-oriented sector, is constrained by their role as the primary providers of food for their households. Moreover, on family farms, while women can influence decisions, the male head of household has final decision-making power and often controls household capital and labour. If women farmers and workers were to be provided with the right incentives, such as access to credit, to increase their productivity and skills, this could contribute to poverty alleviation and foster higher growth rates in Ghana's agriculture sector.

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<sup>4</sup> Cocoa accounted for 96 per cent of Ghana's exports in 1986 and for 75 per cent in 2001.

**Box 2. Promoting fair-trade banana exports:  
The case of Volta River Estates Ltd.**

The Volta River Estates Ltd. (VREL) is a banana export company, which employs a relatively low proportion of women. As the sole fair trade banana exporting company, it is of special importance to Ghana's agricultural sector. It is also one of only two participants in fair trade initiatives in Ghana, the other being the Kuapa Kokoo, a smallholder cocoa producer. The banana plantation employs 900 workers and is among the top 40 companies in Ghana, by both turnover and number of employees. VREL's main export market is the European Union (EU) to which it enjoys preferential access. However, due to quality problems, 20 per cent of the bananas it produces are sold in the local market.

There is a marked gender division of labour on the plantation. Women's role is limited to unskilled labour – mainly cleaning and packing the bananas – whereas men carry out the tasks of harvesting, clearing and replanting. While women comprise about 20 per cent of the workforce, they are not represented in senior management. Furthermore, it is unclear whether women's low participation in the VREL labour force is due to a ceiling on the kind of tasks (packing and cleaning) assigned to women within the plantation, or to constraints on women heads of household to engage in full-time employment in the plantation, as this would require time and work that would infringe on their activities as food providers for their families.

Since VREL is part of a fair trade initiative, the working conditions are better than elsewhere in the eastern region of Ghana, where few employment opportunities exist. The Ghana Agricultural Workers' Union, which also has women's representatives on each of its sites, represents VREL workers. The salaries are equal for both men and women and much higher than the country's minimum wage. Workers are paid overtime and enjoy other social provisions such as three weeks' annual leave, medical benefits as well as on-site support for children; these serve as an incentive, particularly for women. Even though the wages at VREL are higher than the national minimum wage, they are lower than those of workers in textile factories, and not significantly higher than day rates for casual labour in the area. However, VREL employees have permanent jobs and are not subject to seasonal fluctuation in labour demand, which is seen as a great benefit (Blowfield and Gallet, 1998).

VREL seems to have created new opportunities for rural families in an area where water is scarce and employment is often seasonal and limited. Although there is some manufacturing in the area, unemployment still stands at 40 per cent there. The majority of the male workers at VREL were previously mostly small-scale

farmers and fishermen who left their occupations for the benefits that VREL offered, such as higher wages. It is unclear whether women have fully benefited from VREL's employment opportunities, since there is no information available as to what the trade-offs have been for them. A more in-depth analysis would have to be carried out to assess what has happened to household food production for those women working at VREL, and it would be interesting to find out what form of labour they were engaged in prior to joining the company. However, even though VREL may be a small operation in terms of the number of employees, it has set an example as a more gender-sensitive company, largely as a result of its participation in the fair trade initiative.

## **2.2. Agricultural exports in the Caribbean**

### *2.2.1. Trade liberalization*

Since the mid-1990s the Caribbean economies have introduced market reform measures into their national policies in order to comply with WTO rules. Historically, agricultural exports in the Caribbean were plantation-based, but recently, the large estates have been turned into small family farms. In the 1980s, the agricultural sector began to decline and there was a shift to tourism; tourism now accounts for 10 per cent of GDP and agriculture for 8 per cent (FAO, 2003d).

The region's two main export commodities, bananas and sugar, will be affected as preferential market access is phased out. This poses new economic challenges. Countries in the Caribbean region recognise the need to create a domestic environment that is conducive to reducing poverty and sustaining rural livelihoods in their agricultural sector, such as the development of non-traditional crops. They have also realized the need to implement economic diversification measures. However, "in the anxiety to capitalize and commercialise the agricultural sector, Caribbean Governments continually negate the contribution of the informal sector or the subsistence mode of production to the sustenance of livelihoods in the rural and agricultural sector," where women play a fundamental role (FAO, 2003d).

### 2.2.2. *Women in agriculture*

Generally in the Caribbean, data on the involvement of women and men in agriculture is confined to transactions in the formal market sector. Statistics with respect to the production and marketing of the principal export crops, bananas and sugar, point to male dominance in their production.

The prevalence of women in the municipal markets throughout the region indicates female dominance of domestic marketing. Women are also the principal operators of the regional trade in food. In many of the countries these “hucksters” (or “hagglers”) buy from farms and export agricultural produce to neighbouring islands. Thus Grenada and St. Vincent trade with Trinidad and Barbados. A social audit of the sugar industry in St. Kitts in 2002 revealed the dominance of male workers in the sugar industry by a ratio of three to one. In banana production, in the absence of official information, it is generally recognised that the marketing of bananas is done by men. However, it is mainly women who perform the labour-intensive work of packing and cleaning.

While women dominate the domestic and regional agricultural markets, men are usually actively engaged in the marketing of both traditional and non-traditional agricultural commodities targeted at the extra-regional and international markets. There appear to be gender differences not only in the choice of markets but also in the crops traded. Women’s production and marketing activities are generally more diversified than men’s. Women play important roles as food producers, income earners, nurturers and managers of natural resources, though their efficiency in executing these roles is conditioned by their restricted access to the factors of production, such as land, labour, capital and technology. In Jamaica for instances, the majority of women farmers – who are principally engaged in food production for domestic consumption – are smallholders, with much smaller average farm- holdings than those of men. It therefore follows that production constraints related to access to land affect women more than men.

### **Box 3. The banana sector in the Windward Islands**

The banana industry in the Windward Islands was the most important economic sector from the 1950s onwards. However, since the 1990s the Islands have been experiencing low levels of productivity and a decline in production levels. In St. Lucia, for example, which accounts for 50 per cent of the total banana exports from the Windward Islands (Rufina, 1999), the contribution of banana exports to total GDP dropped from 20 per cent in 1990 to 8.7 per cent in 1997. Competitive pricing pressures in key European markets, especially the United Kingdom, are among the factors undermining the industry's profitability.

The progressive phasing out of the EU quota system for bananas is likely to cause further deterioration of the already fragile banana export sector. Since a large majority of the banana producers are women, the sharp increase in poverty and unemployment levels experienced by women throughout the Windward Islands is a direct consequence of this decline in the banana industry. A study conducted in 1999 by the Caribbean Association for Feminist Research and Action (CAFRA) on the impact of new trade arrangements on the living conditions of rural women in the Windward Islands, revealed that these had worsened due to the decline of banana cultivation and prices.

The Windward Islands Farmers' Association has increasingly tried to develop programmes to support 10,000 families involved in banana growing, and to help them get a better deal by joining fair trade cooperatives (OXFAM, [http://www.oxfam.org/eng/story\\_Windward\\_bananas.htm](http://www.oxfam.org/eng/story_Windward_bananas.htm)). Particular attention is being given to the rights and needs of female farmers, many of whom are single heads of households. In fact, almost 40 per cent of households in the Caribbean are headed by single women (Robinson, 2001).

## **2.3. The expansion of non-traditional agricultural exports in the Philippines**

### *2.3.1. Agriculture policy*

The agricultural sector in the Philippines accounted for 20 per cent of GDP between 1995 and 2000, and for 40 per cent of total employment (FAO, 2003e). Two thirds of the population depends on agriculture for a living. Of approximately 12 million hectares devoted to agricultural crops, 32 per cent is

for rice cultivation, followed by 26 per cent for coconuts, 21 per cent for corn, 8 per cent for sugar cane, bananas and coffee, and the remaining 13 per cent is shared by root crops, vegetables and fruit trees.

The Medium-Term Agricultural Development Plan for the 1993-1998 period, prepared with a view to the country's entry into the WTO, called for a reduction, by 65 per cent, of the land devoted to staple food, namely rice and corn, and for a switch to NTAEs such as asparagus, bananas, eucalyptus and cut flowers. This approach limited rice and corn production to 1.9 million hectares and freed up some 3.1 million hectares for raising cattle and for the cultivation of the non-traditional, high-value crops (Bello, 2003).

Traditionally, the agricultural sector in the Philippines has been dominated by small-scale rural producers, many of whom are women growing traditional crops such as rice, corn, potatoes, garlic, onions and cabbage. However, the livelihoods of these farmers is at stake owing to the Government's policy of according priority assistance to high-value crops such as carrots, asparagus, broccoli, green onions, garden peas, lettuce, radish and cauliflower.

The period following the conclusion of the WTO Agreement on Agriculture (AoA) has been characterized by higher food prices and an increase in the incidence of poverty in the Philippines (FAO, 2003e: 469). In the period 1995–2000, after the Philippines' accession to the WTO, agriculture grew at an average rate of only 1.8 per cent. An increase in agricultural food imports due to import liberalization resulted in the displacement of significant local production thereby threatening the livelihoods of many domestic farmers (Briones, 2002). By 2001, employment in agriculture had dropped to 10.85 million people, compared to 11.29 million people in 1994 (Bello, 2003).

### 2.3.2. *Women's role in the agricultural sector*

Approximately 50 per cent of rural women are classified as economically active. In 1992, women comprised 25.8 per cent of the agricultural labour force (including fisheries and forestry). They play an important role in the production of cash crops, subsistence farming and small livestock rearing. To

feed their families, they cultivate kitchen gardens and subsistence crops, mainly root crops.

The gender-based division of labour in the Philippines is clearly marked in farming. Men usually work in land clearing and preparation, except where minimum tillage is required, for example, in vegetable gardening, and they carry out more mechanized tasks, including spraying of chemicals and fertilizers. Women engage in planting, weeding and harvesting and are also heavily engaged in post-harvest tasks, such as threshing and processing. In addition, women bear the responsibility for household tasks.

Rice production in the Philippines has long been the domain of women, from selecting the seeds and uprooting and transplanting of seedlings to storing the grains. But many of them have not been able to compete with the massive imports of rice. In the Cordillera region of the northern Philippines, irrigated rice production is the main livelihood of many villages. However, as the Government has shifted its focus towards NTAEs, less irrigation water is now available for the rice fields. This has led to the abandonment of rice fields, reduced production of rice and outmigration. It has also meant the loss of practices which ensured that generations of indigenous peoples remained self-reliant and self-sustaining for their basic food needs.

Changes in domestic policies have promoted the entry of traditional agricultural products, such as onions, garlic and potatoes, adversely affecting domestic producers. For example, as the market became flooded with machine-sliced, ready-to-fry potatoes from the United States, domestic prices of potatoes collapsed to almost half of what they had been in 1990. This has affected approximately 50,000 Benguet potato farmers (Oliveros, 1997).

### 2.3.3. *Landless peasant women*

Of the 11.2 million people in the agricultural labour force, 8.5 million are landless. The current tenancy system in the Philippines is based on a 70/30 or 60/40 product-sharing scheme, in favour of the landlord. Even though the landlord contracts the male labourer, the entire family, especially the unpaid labour of women and children, is mobilized to complete the work contracted

by the landlord. Therefore, millions of tenants work under extreme and exploitative conditions. For example, in the production of copra, work is done with bare hands and involves long working hours. The crop is harvested every three months, with every member of the family intensively engaged from dawn to dusk. And in a hectare of land planted with 250 coconut trees, an entire tenant family gets a share of about 130 pesos or \$5 per harvest, while the landlord gets 450 pesos or \$17 per harvest. Furthermore, Oliveros (1997) reports that in many of the large coconut and sugar haciendas, landlords try to eject the peasants/tenants from the land.

As vast areas of prime arable land are planted with non-traditional export crops, peasant women are forced to till far-flung rocky uplands for their livelihoods. Because of prevailing local land ownership patterns, women are not granted access to credit and training, which could result in an increase in productivity. Due to gender-based division of labour, women are also burdened with housework in addition to their work as subsistence farmers. Furthermore, as women do not have titles to their land, when land is converted to other uses, they are unable to reap any financial benefits from the sale of the land. There are cases where rural women have been moved or migrate to cities and tourist zones, where they work in domestic services or resort to prostitution for survival. In other cases, peasant women and their children end up in irregular jobs with very low pay and exploitative working conditions.

## **2.4. The expansion of non-traditional agricultural exports in Uganda**

### *2.3.4. Agricultural sector*

Agriculture in Uganda accounts for more than 40 per cent of GDP and is a primary source of income for 80 per cent of the population (FAO, 2003f). The main cash crops include coffee, cotton, sugar cane, sunflower and tobacco. Dual-purpose crops such as bananas, beans, cassava, fruits, maize and vegetables are also grown (IFAD, 2000). The Government of Uganda has emphasized higher agricultural productivity as a prerequisite for poverty alleviation and as a component of its current macroeconomic policy. The Plan for Modernisation (1998) is premised on a holistic strategic framework for increasing agricultural productivity, eradicating poverty, and improving the

quality of life of poor, rural, smallholder, subsistence farmers. However a number of problems, such as lack of marketing infrastructure, information asymmetry – especially on input and output prices – high post-harvest losses and financial constraints, affect the productivity of smallholder farmers, particularly women.

Even though Uganda has the capacity to produce enough food, over 50 per cent of the population does not have access to sufficient food because of the vulnerability of the agricultural sector to natural and weather calamities. There is no specific buffer-stock programme that would release food onto the market during times of shortage and stabilize retail food prices during periods of low supply.

The main staples consumed by households are *matooke* (plantain), sweet potatoes, cassava, maize, millet and sorghum. Own production constitutes a significant proportion of the consumption basket while the rest is sold in the markets for income. Storage by households is very low or non-existent, which causes difficulties for rural households during off-season periods and times of poor harvest. Poor or lack of affordable post-harvest technology at the household level leads to food losses estimated to be about 30 per cent.

One of the priorities of the current macroeconomic policy in Uganda is the promotion of NTAEs. This is considered an important agricultural intensification strategy as the world prices of Uganda's main cash crops, namely coffee, tea and cotton, have declined (Elson and Evers, 1996). The most important NTAEs in Uganda are maize, beans and cassava, accounting for 70 per cent of total such exports (Kassente et al., 2002). Altogether, NTAEs account for approximately 25 per cent of total exports and include cereals, fish and other high value-added products, such as vanilla and horticultural products. Most of the NTAEs are grown by smallholders in the rural areas.

### 2.3.5. *Women's contribution to agriculture*

Agriculture is the main occupation of women in Uganda: 72 per cent of all employed women and 90 per cent of all rural women, compared to 53 per cent

of rural men. They are responsible for 90 per cent of the total food production in Uganda and 50 per cent of cash crop production (Elson and Evers, 1996). Women not only play a central role in food production, but are also involved in post-harvest processing, storage and preservation of crops. Maize, groundnuts and beans are both consumed and sold according to the food and cash needs of the household.

Women in Uganda are often allocated small fragmented plots on marginal lands to grow crops for household consumption. They are involved to a certain extent in growing NTAEs. In 1992, 48 per cent of all women farmers were producing some NTAEs such as green beans (Elson and Evers, 1996). However, men are primarily responsible for marketing these crops and women seldom benefit from the sale of their produce (IFAD, 2000). Where a male head of household controls the agricultural output, women's extra work is carried out as unpaid labour, and such work may also undermine household food security (Kassente et al., 2002). Furthermore, there are very few women participating in the programme promoting NTAEs, and not many women farmers have access to agricultural extension services. This may be due to cultural and societal constraints and to lack of information. For all these reasons, a more in-depth analysis is required in order to assess whether or not export-oriented policies in the agricultural sector have improved the conditions of women.

## **2.5. Sugar cane production in Fiji**

### *2.5.1. Agricultural sector*

In 2001, the agricultural sector contributed to approximately 10 per cent of Fiji's total GDP. Subsistence agriculture accounted for 30–40 per cent of agricultural GDP, employing the majority of the economically active population, followed by sugar production, with approximately 23,000 contractors engaged in this sector. Other agricultural exports are copra and cocoa. Horticulture export crops, such as ginger, tropical fruit, root crops and vegetables are now the fastest growing segment of the agricultural sector (FAO, 2003e: 209).

Traditional food crops such as sugar cane, coconuts, cassava (tapioca), rice, sweet potatoes, and bananas are grown throughout Fiji and represent the “hidden strength” of the economy. Fiji has a strong commercial food production sector which supplies the domestic market. However, the country’s vulnerability to natural disasters has resulted in a degree of food instability and high food imports. At the household level, because of urban poverty, 25 per cent of the population is living below the poverty line, with little food security and lack of access to land and other resources. This situation is likely to be exacerbated with the phasing out of preferential trade arrangements.

The sugar industry is of fundamental importance to the economy of the archipelago, as it occupies 50 per cent of all arable land and employs 13 per cent of the total workforce. It contributes to 9 per cent of GDP and generates some 30 per cent of domestic exports. Since the late nineteenth century, sugar cane production in Fiji had been based on a plantation system owned mainly the Australian-owned company, Colonial Sugar Refinery. As labour costs increased and the system of indentured labour came to an end, the sugar cane plantations were transformed into smallholder systems, but still controlled by the Colonial Sugar Refinery. However, in 1973 the company sold its operations to the Government of Fiji and it became the Fiji Sugar Cane Corporation (ADB, 2000).

### *2.5.2. Women’s role in agriculture*

Women engage in subsistence agriculture, animal husbandry, domestic work and small goods and handicrafts production. According to Carswell (2003), within the nuclear family, women’s work is often hidden behind the expectations of family relations, and is not considered exploitative.

In 1995, the average size of a farm was 4.6 hectares, and most farms devoted 3.65 hectares to sugar cane. The remainder of the land was managed by the women family members for growing staple crops such as rice and root crops, as well as a variety of vegetables, fruits, herbs and spices. Household food production on the farm accounts for 50–90 per cent of the family’s weekly intake, and is therefore vital for the survival of the household.

There is a perception that women are engaged only in peripheral activities on the farm and do not participate directly in sugar cane production activities. Yet women's unpaid labour has been essential for the operation of sugar cane smallholdings, and therefore contributes significantly to the production of sugar cane in Fiji. Most women harvest the cane during times of labour shortage, especially when there is pressure to complete harvesting. They also participate in planting, weeding and fertilizing at times of labour shortages. Their indirect support is thus integral to the functioning of smallholder farms.

### 2.5.3. *Preferential market access for sugar exports*

Fiji has relied on preferential trading arrangements mainly with the EU (the Sugar Protocols of the Lomé Convention and its successor, the Cotonou Convention) for its sugar cane exports. The progressive phasing out of preferential treatment is likely to result in a significant decrease in income for cane farmers, which may render the average sugar cane farm non-viable and increase poverty (Carswell, 2003). This may adversely affect small producers, in particular, and place more pressure on female family members to undertake domestic food production. Furthermore, when food for the family is not sufficient, it is often women and girls who suffer, as male members are given preference in the provision of food. As a consequence, it will become necessary for the family to seek other means of employment to generate household income.

Women in sugar cane farms realize that they may have to diversify and grow other cash crops, such as *yaqona*,<sup>5</sup> or start market gardening to sell their produce locally at the nearest urban market in order to feed their families. Some women may have to seek off-farm employment or increase sales of their handicrafts. However, there are gender-related constraints in terms of off-farm employment, with most of the existing opportunities favouring male employment, for example in gold mining and forestry. Moreover, since women are actively engaged in producing food for domestic consumption, their involvement in paid activities outside their household will create extra work

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<sup>5</sup> A pepper plant used for making drinks.

for them, particularly as the male members may migrate to seek employment elsewhere.

## **2.6. Transformation of agriculture and its implications for women's employment in China<sup>6</sup>**

### *2.6.1 Agricultural sector*

Agriculture as a share of China's GDP declined from 33.3 per cent in 1982, to 14.5 per cent in 2002. Women account for more than 50 per cent of the labour engaged in agriculture, forestry, animal husbandry and fisheries. The country has experienced a "feminization of agriculture" as male agricultural labourers have migrated to urban areas. As women's source of income is primarily from low-productivity agricultural production, the wages of male migrants support households in the rural areas.

The majority of workers in planting and stockbreeding are women: 51.6 per cent and 75.2 per cent respectively, and their rate of participation continues to grow. Even though women have replaced men as the dominant force in agricultural production, management and decision-making processes remain male-dominated. Moreover, under the existing agricultural loan policy, women are not allowed to apply for loans without their husband's authorization.

### *2.6.2. Effect of China's WTO accession on women in the agricultural sector*

China is among the countries with the lowest farmland per capita in the world. Therefore, in the long run, the country has a comparative advantage in developing labour-intensive stockbreeding, such as chicken breeding, rather than land-intensive planting of crops such as soybeans, corn and cotton that is dominated by women labourers. China's accession to the WTO may have implications on women's labour, as the total number of female labourers in land-intensive planting may decline. On the other hand, the impact of WTO membership on the chicken-breeding sector is expected to create new job

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<sup>6</sup> This subsection is largely based on UNDP, 2003.

opportunities for women in the long run. However, in practice, new trade opportunities for poultry will largely depend on the technical and sanitary regulations and requirements of developed countries.

There may be two alternatives for women who will lose their jobs in the land-intensive agriculture sector: shifting to labour-intensive agricultural production or moving to non-agricultural employment. However, even if women switch from land-intensive planting to stockbreeding, they will still be responsible for growing land-intensive crops for household food consumption, and will not necessarily be absolved of their duty as the food provider. Therefore, the double burden of production and housework may actually intensify. It is unclear whether women will be able to strengthen their position in the economy as a whole by engaging in gainful employment. A more in-depth analysis would have to be carried out, including a survey of the level of wages and working conditions women are offered in non-agricultural employment.

### **3. TRADE AGREEMENTS RELATING TO AGRICULTURE**

Agricultural trade policies were subject to few multilateral disciplines prior to the Uruguay Round Agreement on Agriculture (AoA). The AoA, which came into effect in 1994, called for reductions in agricultural export subsidies, reduced domestic support to farmers and lower tariffs on imports of agriculture products. For many developing countries, however, this agreement did not achieve the results necessary to ensure further growth or development of their agricultural sectors.

Throughout the Uruguay Round negotiations on agriculture, there were concerns as to how the AoA would affect food security and poverty in the LDCs and in the net food importing countries. Pingali and Stringer (2003) note that during the 1980s, three key arguments against trade reforms in developing countries emerged: (i) the improbability of export revenue increasing in commodity-dependent countries; (ii) protectionism in the OECD countries harming developing-country efforts to diversify into non-traditional crops; and (iii) widening trade deficits due to the inability of relatively inefficient production systems to compete in the face of import liberalization.

Following the failure of the Third Ministerial Meeting in Seattle in 1999, WTO Members agreed to address the continued imbalances in global agricultural trade at the 2001 Doha Ministerial meeting. The Doha Ministerial Declaration addressed special and differential treatment for developing countries as well as non-trade concerns such as food security and rural development. Subsequent negotiations, however, have largely failed to reflect the goals agreed in the Doha Development Round. The failure of the Cancun WTO Ministerial in September 2003 in many ways demonstrated that developing countries were largely unwilling to compromise in other areas until the goals agreed in Doha were addressed. Many developing countries continue to insist on deeper commitments to a reduction of subsidies and domestic support in developed countries.

In addition, developing countries are seeking improved market access in developed-country markets. Their efforts are focused on the following issues: *tariff peaks on export products* of interest to developing countries, such as sugar and cotton; *tariff escalation*<sup>7</sup> for products such as coffee; *technical barriers to trade* such as increased use of sanitary and phytosanitary measures (SPS) and lengthy delays in the recognition of equivalence of developing-country SPS measures; trade agreements that guarantee *preferential market access*, for example, for sugar or bananas; *increased tariff import quota* levels; and *elimination of export subsidies*.

Recent commodity price declines, notably for coffee, have clearly highlighted the ongoing concerns and vulnerabilities of developing countries in agricultural production and trade. Depressed world prices due to domestic support to agriculture in developed countries, particularly for cotton and sugar production, have added to these concerns, due to the impact on developing-country farmers. The resulting sharp declines in export revenues have also had adverse economic, political and social impacts at national and household

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<sup>7</sup> Tariff escalation is generally defined as imposing higher tariffs on first-stage, semi- and fully-processed food products, resulting in significant protection for processing industries in developed countries (such as Canada, Japan, EU countries and the United States). The ability of developing countries, particularly LDCs, to escape the cycle of producing and exporting primary products may often be constrained by tariff escalation.

levels. Indeed, at the WTO Ministerial in Cancun, several West African cotton producers suggested that their countries receive compensation for the adverse consequences of developed-country policies on their exports.

As noted earlier, agriculture is the mainstay of most developing economies; it is the basis for food security, export earnings and rural development. However, estimates show a decline in per capita agricultural production for domestic and export markets throughout the 1990s. The LDCs, in particular, continue to be marginalized from world agricultural markets; they accounted for only 1 per cent of global agricultural exports in the late 1990s. The poor performance of agriculture in many developing countries is related to low productivity, rigid production, trade and labour structures, a limited skills base, short life expectancy, low educational qualifications, poor infrastructure, and inadequate institutional and policy frameworks.

Many developing countries need to find ways to participate in an increasingly competitive external trade environment by rationalizing their production and adjusting to the trend towards its small-farm commercialization, particularly as their increased food import bills demonstrate how food imports may simply “out-compete” domestic foods in many of their markets. According to the FAO (2003g), “liberalization of agricultural trade could drive up prices for most agricultural commodities, potentially having a negative impact on food security in developing countries, as most are net importers of food. Prices are expected to rise more steeply for the food products that developing countries import than for the commodities they export.”

There is scope for maintaining and even expanding trade preferences in agriculture, depending on the level of tariff reduction which will result from the current round of negotiations on agriculture and given that tariffs remain high for many agricultural products (FAO, 2003g, table 1).<sup>8</sup> Products (such as sugar, bananas, fruit and vegetables) that receive preferential treatment in many of the low-income, vulnerable developing countries represent a major

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<sup>8</sup> Also see FAO, *Trade Fact Sheets*, [www.fao.org](http://www.fao.org). Tariff peaks in selected developed countries remain very high: average tariffs (bound rates) for sugar are 83 per cent of bound rates, fruits and vegetables average 120 per cent, cocoa 117 per cent and coffee 70 per cent.

source of foreign exchange, employ a large proportion of the rural poor and contribute significantly to food security and rural development. While the aggregate value of preferences to developing countries is not considered to be particularly high (estimated at \$1–\$3 billion), relative to the value of trade in preference-receiving countries these trade receipts are significant. This is particularly true for many of the African, Caribbean and Pacific (ACP) group of countries that are dependent on the export of one or two key commodities; their agricultural contribution to GDP ranges from 10 per cent to as high as 30 or 40 per cent in some countries, notably those that produce and export sugar.

Multilateral liberalization on a most-favoured-nation (MFN) basis would, however, significantly erode margins received under preferential trade agreements and potentially result in loss of market share and income. According to FAO estimates, the aggregate preference margin enjoyed by all ACP countries for all agricultural products under the Lomé Convention declined by 16 per cent between 1995 and 2000, due to tariff reductions during the Uruguay Round implementation period (FAO, 2003e). Further reductions in bound tariffs potentially resulting from the Doha Round would further reduce preferential margins, and most likely result in significant adjustment costs for preference-receiving developing countries, particularly those that are the most dependent on commodity exports and have a narrow resource base. The general perception is that many of the preference-receiving developing countries have benefited substantially from market access for their exports of sugar, bananas, fruit and vegetables particularly into the United States and EU markets. However, in some cases, preferential access may have hindered efforts to improve production costs or processing efficiencies. This may be particularly true of global sugar markets where preferences guaranteed export prices at the higher (nearly double) internal prices of United States and EU domestic markets for sugar.

The Uruguay Round essentially subjected domestic agricultural support and subsidies to international review, although the scrutiny did not necessarily result in reduced support, particularly for the most sensitive agricultural products, such as sugar, cotton, rice or dairy. The Round also, for the first time, negotiated an agreement to establish specific disciplines for the application of SPS measures for multilateral trade in agricultural products. Of

particular interest to developing countries were the changes made to the scope and significance of agricultural preferences, and market access for ACP countries and GSP beneficiaries into EU markets. Tariff liberalization for major tropical products resulted in the gradual phase-out of remaining preferences (through mid-2000) for raw coffee and cocoa, papayas, mangoes and several other tropical fruits. However, in a number of markets, tariff escalation for products such as coffee and cocoa persists, thus discouraging their local processing by domestic producers.

In parallel with multilateral liberalization under the aegis of the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO, countries have entered into various types of regional and bilateral trade agreements (RTAs). Nearly all WTO Members are signatories to at least one regional trade agreement, and, as with the multilateral trade negotiations, liberalization of agriculture has largely been a late entrant in regional trade negotiations. There are a number of RTAs in the Americas for all but the most sensitive agricultural products. These include the North American Free Trade Agreement (NAFTA), the recently negotiated Central American Free Trade Agreement and the Free Trade Area of the Americas (FTAA) which is expected to expand free trade and investment reciprocally throughout the western Hemisphere. New free trade agreements have come into effect between the EU and South Africa, Mexico, Chile and the Southern Common Market (MERCOSUR). And China announced its intention to enter into bilateral free trade agreements with all 10 Members of the Association of South-East Asian Nations, and has concluded a free trade agreement with Thailand.

Again, significantly, although many of these agreements have utilized various approaches to reducing barriers to agricultural trade, nearly all maintain some degree of protection, especially for sensitive products such as sugar, cotton and rice. One reason for the increase in the number and degree of coverage of agricultural products in more recent RTAs (those primarily negotiated after 1995) is that these agreements provided a way for countries with similar trade policy agendas to pursue more rapid agricultural trade liberalization at a time when multilateral trade talks (Uruguay Round) were foundering during the late

1980s (Sheffield, 1998). However, RTAs generally do not address the issue of agricultural subsidies.

A number of developed countries have also set up various preferential trade schemes for developing countries. More recently some of them have granted comprehensive tariff-free and quota-free access to LDCs in order to provide them with better trade and development opportunities. These include the EU's Everything-But-Arms (EBA) initiative in 2000, under which duties were immediately suspended for most raw and processed agricultural products, with the exception of sugar, rice and bananas. Duty-free global quotas for sugar and rice were established that are to increase by 15 per cent annually, with MFN duties reduced over three years to zero by 2006. Tariffs on bananas are to be gradually reduced to zero between 2002 and 2006. Other developed countries, including New Zealand, Norway and Switzerland, have also provided duty- and quota-free market access for LDCs. Similarly, the African Growth and Opportunity Act (AGOA), passed in the United States in 2000, offers duty-free preferential access to selected African countries, particularly for horticultural products and certain clothing assembly products and textiles. The United States has also expanded product coverage under its GSP and offers duty-free access to LDCs' agricultural product exports.

While multilateral trade negotiations for agriculture continue to falter, and remain rather contentious, there are concerns that negotiators may not meet the January 2005 deadline for a new WTO agreement. Bilateral and regional trade agreements offer both the possibility to create or divert trade between countries, and are potentially providing an important basis for further market integration in agriculture. What is clear is that trade in agricultural products, particularly some of the most "sensitive" ones, such as sugar, cotton, bananas and coffee, will be subject to further contentious and complex negotiations.

#### **4. A GENDERED ANALYSIS OF TRADE IN AGRICULTURE**

A gendered analysis of the functioning of agricultural trade is rooted in an understanding of globalization as a process of transnationalization of capital and expansion of the market economy. As a result, decisions on resource allocation and countries' economic specialization tend to be defined beyond

their individual borders. It is in this context that States and traditional national stakeholders face both a redefinition of their conventional roles and the emergence of new economic actors, such as transnational corporations (TNCs), involved in food processing and marketing.

Assessing the impact that agricultural trade may have on gender disparities and how they are influenced by the existing gender asymmetries at country level is very difficult. Trade on agricultural commodities takes place in a complex environment, where multiple market arrangements and agreements coexist. Liberalization of specific commodity markets may favour some producer countries and certain categories of farmers. However, other economies and types of producers may lose their market share and face further restrictions as their import capacity and purchasing power are affected by a decline in their export revenues.

Household food security is a major issue to consider under the AoA, especially from a gender perspective. As already shown in section 1, women's contribution to food and agricultural production in most developing countries is significant; they represent a substantial share of agricultural labour, as small farmers in their own right or as agricultural workers. Another issue of importance relates to women's roles and functions in agriculture and society as a whole. The role of women is generally associated with non-economic and unpaid work, most of which takes place within the so-called reproductive economy. However, as highlighted by Elson, Evers and Gideon (1997), it is the reproductive economy that supplies labour and social capital to the economy and transmits social and cultural values. Although that contribution is not registered in systems of national accounts (since no market value is attributed to the labour involved), there may nevertheless be important implications on women's burden in the reproductive sphere as a result of the increased demand for their labour in trade-related activities.

Market liberalization under the ongoing agricultural trade negotiations, is based on substantial reforms in agricultural policies, elimination of export subsidies, reductions in trade-distorting support as well as in all domestic support (FAO-LOGE, 2003), as required in the AoA. However, those reforms may end up undermining existing international commitments and national

policies adopted to protect fundamental rights, such as the right to food, recognized as a fundamental human right (Art. 25 of the Universal Declaration on Human Rights, Art 11 of the International Covenant on Economic, Social and Cultural Rights, and Art. 14 of the Convention on the Elimination of Discrimination Against Women (CEDAW)).

The impact of the current multilateral trade regime for agriculture on rural economies and national/household food security is a crucial concern for development, especially in the light of the growing social and gender disparities.

#### **4.1. Implications for small-scale farming, gender and global market integration**

Small farmers are increasingly excluded from the emerging and globalizing food economies in developing countries. These farmers, typically amongst the poorest of the rural populations, often are unable to adopt new technologies or increase their economies of scale. Trends indicate that smaller farmers in developing countries are increasingly abandoning or selling farms, leading to land concentration and expanded commercial crop production (Young and Hoppe, 2003). Reardon (2003) cites two recent examples from Latin America to illustrate how concentration in production and processing tends to result in the greater exclusion of smallholders. The first example describes how, in Brazil over the past four years, 61,000 small dairy farmers abandoned the sector, as they were unable to lower transaction costs and remain competitive in the face of consolidation of the retail and food processing industries. The second example is taken from Guatemala, where shifts from declining traditional and “glutted” wholesale vegetable markets to an emerging consolidated food service sector resulted in a sizeable reduction in the number of tomato producers (from 330 to 6 over a one-year period) within a successful farmers’ cooperative – those cooperative members that survived the consolidation started to purchase land from those that were forced to exit.

A strong gender imbalance exists in this process of agricultural transformation and resources/production concentration, as the majority of women farmers tend to be small-scale, family farmers, while men are more likely to own

medium and large-scale commercial farms, and are thus in a better position to capitalize on the expansion of agricultural tradable goods (Young and Hoppe, 2003; Joeques, 1999).

While trade may promote investment and the development of large-scale commercial farming and export cash cropping, household subsistence farming and small-scale production systems may be put at greater risk under agricultural market liberalization. The rapidly changing international environment has placed greater pressure on farmers in the developing countries to adapt and introduce technological improvements in their farming techniques in order to be able to compete not only with cheap agricultural imports in the domestic market, but also with TNCs' large-scale production units. Those farmers who are unable to compete in this environment tend to abandon agriculture. And women, who generally constitute the majority of small and subsistence farmers are not able to take advantage of the opening of new market opportunities for agriculture. Since women's agricultural activities, are limited by their lack of financial capital and access to productive resources, their farming activities tend to be characterized by low levels of mechanization and technological inputs, which translates into low productivity (Reardon, 2003).

The intensification of agricultural trade fosters the commercialization of small farms. This growing integration into the market tends to generate a broader change in rural livelihoods, which usually includes diversification of household incomes through wages earned from off-farm activities and migration. The change in income source affects all types of household capital assets (natural, physical, financial, social and natural) and interacts with other components of the livelihood system (see box 4). Household resources tend to be reallocated in favour of more intensive production of cash crops, which may undermine household food production and women's traditional role of being responsible for family food security.

**Box 4. FAO Distance Survey on Gender Impacts of Small Farm Commercialization**

In 2001, FAO launched a project to study the implications of small farm commercialization (SFC) on gender relations at intra- and inter-household levels, and

how development projects are addressing those effects. A distance questionnaire was submitted to a sample of practitioners working in 16 SFC projects that were being assisted by international organizations and NGOs in 14 developing countries (Ghana, Kenya, Niger, the United Republic of Tanzania and Zambia in Africa; Cambodia, China, India, Myanmar and Pakistan in Asia; and Bolivia, the Dominican Republic, Guatemala and Honduras in Latin America).

According to the survey informants, development of small farm commercialization is part of a more comprehensive change in rural livelihoods, which, in the majority of cases, includes off-farm activities and migration. This change affects all types of household capital assets (natural, physical, financial, social and natural).

According to the survey findings, the origins of commercialization are to be found either in the spontaneous development of a market economy and/or in major policy interventions such as trade liberalization and agrarian reform. A variety of factors might enable or constrain the subsequent development of commercialization. Survey findings also indicate that at the beginning, SFC tends to be based on the intensification of staple-crop production, but in most cases, some form of crop diversification takes place in subsequent stages. However, different site-specific combinations of staple-crop intensification and crop-mix diversification were identified. This suggests that the intensification and diversification aspects should be considered in in-depth case studies as two complementary and often overlapping dimensions of SFC development.

In most of the cases, rural households bore significant economic and social costs to attain the benefits of SFC. In particular, the increased income made possible by commercialization required, in almost all the surveyed cases, a parallel increase in household workload. This finding suggests that the impact of commercialization on rural household livelihoods is often ambivalent: it entails a gain of financial capital (e.g. income, purchasing power and capacity to pay) but also a loss of human capital (less time available for social activities, childcare, education, leisure and creative expression.). There is a need to better understand and, if possible, quantify the economic and social values (costs and benefits) involved in the “labour for money” exchange that takes place in rural livelihood systems as a result of SFC. Although no significant gender difference seemed to exist in carrying the workload of commercialisation, evidence suggests that women involved in SFC had a double economic disadvantage as compared to men. First, women continued to be fully responsible for “reproductive” work (i.e. pregnancies, childcare and housekeeping). Second, men controlled the income generated by SFC, even if women had invested an equal or higher amount of labour in its generation

The social benefits of commercialization (such as self-reliance, social status and empowerment) are perceived by informants to be evenly distributed between men and women throughout the sample. In about half the cases, the impacts of SFC on women

in household decision-making and on women's status in the community were believed to be neutral or negative.

All respondents identified some kind of positive effect on gender relations as an expected outcome of project-assisted commercialization activities, but only one third of the surveyed projects conducted a thorough gender analysis. An additional third of informants believed that actions aimed at strengthening the promotion of gender awareness in the community are needed to improve "gender sensitivity" in SFC-supporting activities. This suggests the development practitioners consulted saw the need for a better integration between "commercialization" and "gender" in the project approach.

Source: Warren P. Distance Survey on Gender Impacts of Small Farming Commercialization, Final Report, FAO's Farm Management and Production Service (AGSP) and Gender and Development Service (SDWW), 2002.

Although expansion in commercial crop production may adversely affect local domestic markets and smallholders, export-oriented production may also help increase off-farm employment opportunities for women in the short term. Examples from Ghana and Uganda show that although women's wages in off-farm employment are low, they nevertheless seem to contribute to rural poverty alleviation (Newman and Canagarajah, 2002). However, women who have traditionally grown their family food, and move out in search of off-farm employment, may also suffer from a shortage of food supply from the family plots, possibly undermining their families' nutritional status.

#### **4.2. Impact on economic opportunities for women in agriculture**

The increase in women's labour in both agro-processing and manufacturing for export tends to be associated with the ongoing process of liberalization of trade and investment, and the expansion of TNC operations in developing economies. These new job opportunities, however, do not always result in improving women's living conditions and those of their families. Usually, the increase in demand for female labour is not associated with higher wages. It is widely observed that there is an increase in flexibility in the labour market, which goes hand in hand with low wages, a lack of social protection and poor contractual conditions, such as very short-term contracts with reduced benefits, long working hours, and lack of rights of association, all of which result in greater exploitation of women and child labour.

Non-traditional agricultural exports of horticultural or high-value-added products tend to increasingly involve women's workers. For example, the cut-flower industry in Colombia, Ecuador or East Africa, may have improved employment opportunities and wages for women, but they may suffer from health or environmental hazards and unsustainable agricultural production methods. However, in African countries, shifts in the distribution of income away from women due to increased commercialization of export crops, such as coffee or cocoa, have reduced food-crop production at the family farm level, without necessarily leading to higher incomes (Newman and Canagarajah, 2000).

The greater involvement of women in the production of export crops is not necessarily related to a substantial increase in women's income, due to the low wages paid to them. Indeed, as noted by Joeke (1999), women's share in family income may actually decline. This fall in women's contribution, both in monetary and non-monetary terms, may further lower their bargaining power within the household. Moreover, since a large part of rural women's contribution to household living is non-monetary, in order to estimate women's gains from job remuneration in export-oriented activities, it is necessary to consider the opportunity costs of women's labour.

There are few cases where women have been able to benefit from the intensification of trade, either, as paid labourers or as farmers. Women farmers in NTAEs tend to be better placed to enjoy some benefits from export promotion. However, in the long term, there might be some uncertainty and obstacles to expansion, given that usually those exports focus on non-essential products and/or products with very low value added or those that have a restricted market (medicinal plants, herbs and spices).

**Box 5. Non-traditional agricultural exports: a dynamic sector**

Horticultural products (fresh and processed fruits, vegetables, flowers and nuts) are among the most dynamic components of the international trade in agriculture. With revenues from traditional commodities declining, a number of developing countries have diversified production into high-value non-traditional agricultural exports as a means of enhancing growth and development (Dolan and Sorby, 2003). For example, while the Netherlands remains the largest exporter of cut flowers, many developing

countries, such as Colombia, Ecuador, Kenya, Uganda and Zimbabwe have become important exporters as well. Developing countries' share in world exports of cut flowers rose from 21 per cent in 1991 to 28 per cent in 1995 and to 29 per cent in 1998 (Dolan and Sorby, 2003). Exports from the least developed countries grew by an impressive annual rate of 32 per cent between 1995 and 1999. African countries export mainly to European markets while Latin American countries target primarily the United States market.

#### *Women's employment in NTAEs*

Since the 1980s, with the rapid growth of this sector, especially in parts of Africa and Latin America, it has become particularly important for women, with female workers now comprising a significant proportion of the labour force (Barrientos, 1999: 192). For example, since the establishment of the NAFTA, women in Mexican non-traditional agriculture exports gained 83 per cent of the jobs created (White, Salas and Gammage, 2003). And in the mid-1990s, female workers comprised 45 per cent of the workforce employed in NTAE production in Chile and 65 per cent in Brazil (Dolan and Sorby, 2003).

However, the division of labour is highly gender differentiated. New employment opportunities are mainly created in the lower job categories that require low skills. Survey results for the cut-flower industry in Ecuador, for example, show a strong preference for female labour in tasks such as weeding, cutting, picking or packing. Men are mainly involved in pre-cultivation such as irrigation, fumigation or maintenance (Dolan and Sorby, 2003). Moreover, women's work tends to be subject to flexible and informal working arrangements characterized by a high degree of job insecurity and little or no social protection. According to some estimates, for example, 52 per cent of women are recruited as temporary workers in the Chilean fruit industry with only 5 per cent being permanently employed (Dolan and Sorby, 2003). In fact, studies for the Chilean fruit industry and the Latin American banana industry show that women's employment rate is more variable than men's and women are more affected by retrenchment (Jarvis, Vera and Toscano, 2003).

Gender differences also appear to exist regarding access to and distribution of farmland. In Mexico for example, women own less than 20 per cent of all farmland and female landowners tend to own smaller plots than men. In 2000, 56 per cent of women farmers compared to 35 per cent of men owned less than 2 ha of land (White, Salas and Gammage, 2003).

Nevertheless, studies for the Ecuadorian and Mexican flower industry also show that women's paid employment has led to a reduction in gender inequalities among the younger generation, in terms of women's control of their earned income, higher

participation in household decision making, increased bargaining power with their spouses, as well as a reduction of female's involvement in domestic responsibilities (Korovkin, 2003 and Dolan and Sorby, 2003).

Source: UNCTAD.

### **4.3. Women's concerns and social reproduction in agricultural trade policies and negotiations**

Despite the multiple initiatives undertaken during the last 30 years towards empowering women in the economic, social and political spheres, women's participation in public decision-making structures is still very low. In agriculture, such participation is even more restricted, due to the lack of recognition of their role as farmers in their own right. Farmers' organization and agricultural planning institutions have very few women in decision-making positions, and generally agricultural policies do not take into consideration women's concerns and female-related factors associated with agriculture and rural development. This lack of gender considerations in domestic agricultural policies – which also excludes factors associated with social reproduction and women's contributions to the rural economy – influences the formulation of trade policies and domestic measures that ignore gender concerns.

Hence, trade negotiations have tended to undervalue fundamental issues related to the goals of human development and social reproduction in which other crucial economic factors are also rooted, such as the formation of human capital and labour, knowledge, social stability and individuals' active participation in the economy as producers and consumers. The economic development discourse, likewise, has tended to focus on economic growth and an increase in productivity, while human development and well-being, as true goals of development, are not recognised.

As national economies increasingly integrate into the global economy, both countries and individual households will become more sensitive to fluctuations in the international market. In this new context, social policy acquires even more relevance as an instrument to ensure social equity and development. The progressive elimination of trade barriers and the reduction of protective

measures for domestic farming in developing countries impose a broader challenge to national governments to compensate for losses of the population groups that are displaced and driven out of their farms due to the effects of possible external shocks and market reforms.

The loss of traditional social safety nets in rural areas tends to be exacerbated by the increase in migration and labour mobility resulting from the decline of family farms and the demand for employment in export-oriented activities. This also makes rural families, and women in particular, more vulnerable, given the additional burden they have to bear with the migration of relatives. As a result rural families tend to lose their traditional support system (based on subsistence production, and family and community links) when a country begins to integrate into the global economy, while the social security systems suited to a modern industrial economy are not in place to fill the gap.

## **5. CONCLUDING REMARKS**

An intensification of agricultural trade often leads to the commercialization of small-farm production. This growing integration into the market tends to generate a broad change in rural livelihoods, which usually includes diversification of household income, wages from off-farm activities and migration. Household resources, including land, tend to be reallocated in favour of cash crops, which may undermine household food production and women's traditional role of bearing the main responsibility for family food security.

Long-standing obstacles faced by rural women in terms of lack of access to productive resources (land, credit, inputs, transport, extension services, storage, technical assistance and market opportunities and know-how) prevent them from adopting new technologies or increasing their economies of scale. Their productivity is constrained and their ability to switch to crops yielding higher returns is severely limited. Hence, women tend to be worse placed than men for shielding themselves from some of the negative effects of trade liberalization and taking advantage of its possible positive effects.

Domestic policies and incentives may force women to reduce the time devoted to tending farm plots – the basis of food security – and seek employment in the export-oriented sector. This increases women's double burden: their responsibility to earn an income, as well as fulfil their role as food providers for their families. All this is in addition to their unpaid work in the reproductive economy.

As market operations become more concentrated and globalized, small farmers in developing countries, particularly women, are increasingly excluded. Often unable to reduce transaction costs and remain competitive, they are increasingly abandoning or selling their farms, leading to land concentration and expanded commercial crop production. Thus trade liberalization, while opening domestic markets to food imports, may also crowd out domestically grown food.

Within households, resource allocation is gender-biased, with women often having less control over benefits. The majority of women farmers tend to hold small-scale farms, while most medium and large-scale commercial farms are more likely to be owned by men. Men are therefore in a better position to capitalize on the expansion of agricultural tradable goods. Even when women are engaged in commercial farming, receipts of their sales are often controlled by the men in the family. In Uganda, for example, a large proportion of women are engaged in the export sector, but since they do not market their produce, they are unable not reap the benefits of their work.

Gender-based inequalities in control over resources not only limit the ability of women to benefit from trade liberalization, but also have an impact on a country's ability to respond to trade policy changes. Whereas in export-oriented, semi-industrialized countries wage gaps may stimulate investment and growth, the situation seems to be different in many agricultural economies. The existence of considerable gender inequalities may be hindering successful export performance in agricultural economies where smallholder producers are predominant. Thus, if agricultural countries are to benefit from agricultural trade liberalization and increase agricultural production and productivity, existing constraints such as access to credits and fertilizers for women need to be overcome.

The rapidly changing international environment has placed greater pressure on farmers in developing countries to introduce technological improvements in their farming techniques in order to be able to compete not only in the domestic market with cheap agricultural imports, but also with large scale agri-food companies active in international markets. Those farmers, who are unable to compete in this environment, tend to abandon agricultural production. Women who represent the majority of small and subsistence farmers, are among the least able to benefit from the opening of new market opportunities for agriculture.

The impact of commercialization on rural households is often mixed; it entails an increase in monetary income, but also a loss in other important social and economic areas, such as household food production, social activities, childcare, education and leisure. Moreover, as agriculture gets progressively more market-oriented, rural households may become increasingly dependent on monetary income to fulfil the family's basic food needs.

Potential benefits for women from trade liberalization seem often to derive from their moving to non-agricultural sectors rather than from improvements inside the agricultural sector. Those opportunities, however, do not always result in improving women's incomes and living conditions. Most of these job opportunities are characterized by low wages, lack of social protection and poor contractual conditions. Thus, women's share in family income may decline in real terms, which may further lower their bargaining power within the household.

In the short run, women farmers active in non-traditional agricultural exports tend to be better placed to enjoy some benefits from export promotion. However, in the long term, there might be some uncertainty and constraints on expansion, given that these exports usually focus on non-essential products and/or products with very low value added and/or oriented to a restricted market such as medicinal plants, herbs and spices.

Women's participation in decision-making in agriculture is very low, and usually agricultural policies do not integrate women's concerns and female-related factors associated with agriculture and rural development. The lack of gender considerations in domestic agricultural policies – which also ignores

factors associated with social reproduction and women's contributions to the rural economy – is also reflected in the formulation of trade policies and domestic measures. Trade negotiations have also tended to undervalue fundamental issues concerned with the goals of human development and social reproduction.

Traditional social safety nets in rural areas tend to wither away with the integration of developing countries' agriculture into the global economy. This increases the vulnerability of rural families, and women in particular, given the additional burden they have to bear when relatives are forced to migrate because of the decline of the family farm and a shift to export-oriented activities.

In the context of agricultural trade liberalization, market privatization and globalization, social policy acquires even more relevance as an instrument to ensure social equity and development. The progressive elimination of trade barriers and the reduction of protective measures for domestic farming in developing countries present a broader challenge to national governments to compensate for the costs incurred by specific groups, including women farmers.

An increasing body of literature on gender-related aspects of trade has been emerging over the past decade. However, very little empirical information is available on women's involvement in trade expansion, on the impact of agricultural trade liberalization on women's rights and roles in agriculture and the rural economy, and on gender equality in a broader sense. Research is urgently needed in all these areas.

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## Chapter 4

# MULTILATERAL NEGOTIATIONS ON AGRICULTURE AND POSSIBLE EFFECTS ON WOMEN IN DEVELOPING COUNTRIES<sup>1</sup>

### INTRODUCTION

Agriculture is an important component of the economy of many developing countries, where it contributes significantly to domestic production and employment. In some countries agriculture, mostly subsistence farming in which women play a major role, generates three quarters of household income in rural areas.

An increasing number of multilateral and regional trade negotiations and agreements aim at liberalizing the international trading system, which could result in efficiency gains. However, sensitive agricultural products are often excluded and an increase in the use of non-tariff trade barriers can be observed. Agriculture is also among the most controversial issues being taken up in negotiations under the aegis of the World Trade Organization (WTO). The outcome of the negotiations will have a strong impact on developing countries and on various groups within these countries, especially women, given their considerable involvement in agriculture production. Both their ability to generate income and their spending capacity will be affected. It is therefore important to analyse the potential impacts. Central questions are whether trade liberalization accentuates or erodes existing gender inequalities and whether it leads to increased welfare in absolute terms. Furthermore, it is important to assess whether gender inequalities influence responses to trade policy changes.

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<sup>1</sup> This chapter has been prepared by Ralf PETERS, UNCTAD, Geneva.

## 1. NEGOTIATIONS ON AGRICULTURE

### 1.1. Multilateral trade negotiations

Developing and especially least developed countries (LDCs) are highly dependent on agriculture in terms of employment, value added and export revenues. Since many developing countries are among the most efficient producers of agricultural products, they have good potential to increase their production and export earnings. Another group with a strong interest in agriculture are net-food-importing developing countries. In most developed countries the economic relevance of agriculture is more limited, but for political and other reasons – such as food safety – agricultural trade is considered important. The WTO negotiations on agriculture are very controversial and many analysts and negotiators see them as key to the successful conclusion of the Doha Round. An additional reason is that even after the implementation of the Uruguay Round Agreement on Agriculture (AoA), which was a first step towards a more market-oriented agricultural trading system, trade distortions remain significant.

All three pillars of the Agreement on Agriculture remain a major focus of the negotiations in the Doha Round, namely market access, domestic support and export competition.

#### 1.1.1. *Market access*

Tariffs for agricultural products are much higher than those for non-agricultural products in all country groups (table 1). The high-income countries have an average bound tariff rate of 51 per cent and an average applied tariff rate of 48 per cent. Bound tariffs are country- and product-specific maximum tariffs that can be applied on imports. Middle-income countries have higher bound rates but smaller applied rates, of 25 per cent on average. Least developed countries have the highest bound rates but considerably lower applied rates, at 39 per cent.

**Table 1. Bound and applied tariff rates for agricultural and non-agricultural products**

	Country groups by income level	Bound tariffs	Applied tariffs
Agricultural products	High-income countries	51	48
	Middle-income countries	60	25
	Low-income countries	78	39
Non-agricultural products	High-income countries	4	3
	Low - & middle-income countries	20	13

*Source:* UNCTAD TRAINS and WTO.

*Note:* Simple average of out-of-quota ad valorem equivalents.

Average tariffs, however, do not reveal the problems of tariff peaks and tariff escalation. On some products there are very high tariffs, with tariffs tending to increase by degree of processing. This makes it difficult for developing countries to enter into exports of processed products that have higher value added. Tables 2 and 3 show tariff escalation for cotton products in the United States market and for some other agricultural products in the European Union (EU) respectively. Supper (2000) points out that in spite of progress in trade liberalization resulting from the Uruguay Round, peak tariffs and significant tariff escalation persist.

**Table 2. United States bound and applied MFN tariff rates on cotton products**

Description	Tariffs (%)
Cotton, not carded or combed and waste	1
Cotton, carded or combed	5
Cotton, yarn and sewing thread	8
Knitted or crocheted fabrics	14
Knitted or crocheted articles of apparel and clothing	11

*Source:* UNCTAD calculations based on WITS (World Integrated Trade Solution database)

*Note:* HS classification: Raw cotton: 5201-5202; Carding or combing: 5203; Spinning of cotton thread and yarn: 5204-5207; Knitting or crocheting: 600121, 600191, 600242, 600292; Making up knitted or crocheted articles: 6101-6117, including only 6-digit lines related to cotton. Simple average of ad valorem tariffs.

**Table 3. EU's most-favoured-nation, out-of-quota bound tariff rates**

<b>Product</b>	<b>Ad valorem equivalent tariff rates (%)</b>
Live bovine animals	61
Bovine meat	138
Tobacco leaves	14
Cigars	38
Cacao beans	0
Cacao powder	8

*Source:* UNCTAD, calculations based on Agricultural Market Access Database (AMAD)

Other problems concerning market access include sanitary and phytosanitary regulations, technical regulations and standards, and administrative rules. Many developing countries consider these non-tariff measures greater obstacles to market access than tariffs. The WTO Agreements on Sanitary and Phytosanitary Measures and on Technical Barriers to Trade are relevant and especially important for developing countries in the context of increasing demands not only for a sufficient quantity of goods, but also for better quality. In 1997, for example, a number of developed countries imposed restrictions on fish imports from some African countries because they were deemed as not meeting the standards of adequate hygiene.

Least developed countries and a number of developing countries benefit from preferential access to some developed-country markets (see below). However, the volume of imports under the various preferential schemes is not particularly high for reasons such as rules of origin and sanitary and phytosanitary standards. Moreover, further reductions of bound tariffs, supported mainly by highly competitive exports of agricultural commodities by developed and developing countries, lead to erosion of the preferences. This is a major concern of countries that benefit from such preferences. Supply-side constraints and often the poor level of development of their institutions and infrastructure add to the difficulties of these countries in producing enough high quality food for export. Furthermore, concerns about the possible negative effects of trade liberalization on the availability of basic foodstuff in least-developed and net-food importing developing countries have been raised frequently. A major worry is that, all things being equal, trade liberalization will lead to higher food prices.

### *1.1.2. Domestic support*

Countries' commitments to cap and reduce domestic support are often considered to be the most innovative element of the Uruguay Round. Negotiators established an "amber box" for domestic policies that distort trade and a "green box" for minimally trade-distorting policies, which are exempt from reduction commitments. In 1998, "amber box" support provided by all countries with reduction commitments amounted to about \$76 billion,<sup>2</sup> from about \$120 billion in 1995. About 97 per cent of this was provided by OECD countries. The EU, Japan and the United States account for almost 90 per cent of the total support. However, support measures other than the Aggregate Measurement of Support (AMS) in the "amber box" exist. According to the OECD, total support to agriculture in OECD countries amounted to \$318 billion, or 1.2 per cent of gross domestic product (GDP), in 2002 (OECD, 2003). This included transfers from consumers and taxpayers as well as support to general services for the agricultural sector. Products that accounted for the bulk of support were milk, meats, grains and sugar (World Bank, 2003). Developing countries as a group also support their agricultural producers, but to a lesser extent, and they have more flexibility, since there are special provisions for them in the AoA.

The type of support is increasingly shifting, from trade distorting "amber box" measures to reduction exempted measures, and particularly to decoupled income support. It is believed that this type of "green box" support is not trade-distorting, or only minimally so, although there is no definition of non-trade-distorting support. Support that is not linked to current production is less trade distorting than production-linked payments. However, it is argued that despite efforts by developed countries to decouple payments, all measures that encourage production by non-competitive producers through decoupled income support or income safety nets are de facto production- and trade-distorting. More research is needed to understand the extent to which decoupled support distorts production and trade. The economic effect of

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<sup>2</sup> At the time of writing this paper, not all countries had provided data for 1999 and 2000. Since the main countries providing "amber-box" support did notify their values for 1999, it is clear that the order of magnitude has remained the same as in 1998.

production-encouraging support is that it distorts production and is therefore inefficient and reduces world food prices.

A further problem concerning domestic support is an imbalance in the rules under the current AoA, because developed countries with monetary resources are allowed to continue to provide farm support within their total AMS commitments, while developing countries with budgetary constraints, or which had different policies during the Uruguay Round base period, have de facto zero AMS levels. In fact, 97 per cent of the final AMS commitment levels in 2000 accrued to OECD countries.

### *1.1.3. Export competition*

Export competition relates, in particular, to the issue of export subsidies. Other issues are export credits, State trading enterprises, export taxes and food aid. Export subsidies significantly distort agricultural trade. Currently only 25 WTO Members are allowed to use export subsidies and have made reduction commitments.<sup>3</sup> The level of export subsidies depends on harvests, world food prices and exchange rates, and therefore fluctuates. Between 1995 and 2000 on average \$6.2 billion worth of export subsidies were provided worldwide. The EU provides almost 90 of these subsidies. However, the latest available data from the marketing years 2000/01 and 2001/02 show that the use of such subsidies in the EU declined by more than 50 per cent compared to the average for the period 1995–2000.

Special and differential treatment provisions allow certain subsidies by developing countries, such as marketing costs and internal transport and freight charges. Also exempt from reductions are export subsidies related to international food aid and subsidy components in export credits.

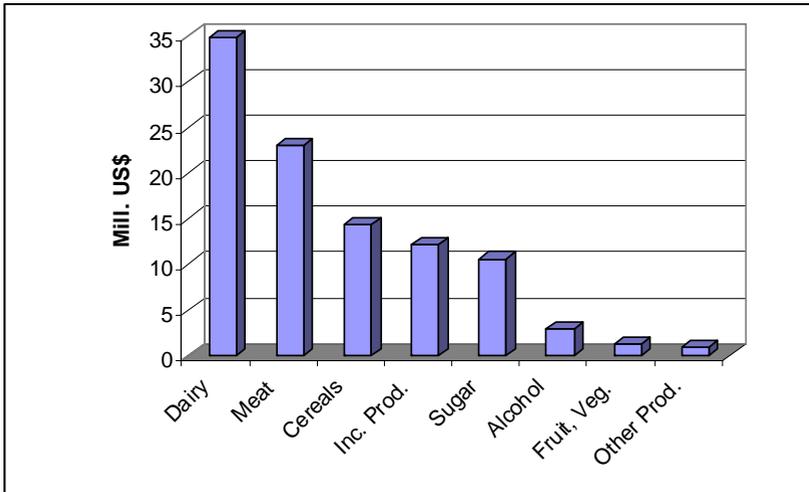
The use of export subsidies is concentrated in a limited number of countries – mainly developed countries – and these subsidies give a direct price advantage to the exporters receiving them. The provision of export subsidies is counter-cyclical with respect to world price variations; in general, they lead to

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<sup>3</sup> Some exceptions for developing countries exist, and LDCs have no restrictions.

declining food prices. This hurts vulnerable producers in developing countries. However, most of the export subsidies apply to temperate products such as dairy products and cereals. Therefore, consumers in net-food-importing developing countries benefit from the lower food prices.

**Figure 1. Export subsidies by commodity groups (%), averages for 1995–2000**



Source: UNCTAD calculations based on WTO notifications.

The provision of export credits can be another form of trade-distorting export promotion. If, for example, the interest rate is below the normal market rate or the length of time exceeds what the market would offer, the export credit may have a trade diverting effect, since an importer's decision may be influenced by the financial appeal of the export credit. The overall trade-distorting effect of export credits in the total trade of agriculture products is small, although certain export-credit programmes do bias targeted importers' purchasing decisions and distort markets. Furthermore, the OECD has noted that OECD importers receive more than 50 per cent of the export subsidies. The low shares of export credits which are given to net-food-importing or less-developed countries calls into question the justification for export credits, namely that these assist countries facing liquidity constraints to purchase food where they otherwise could not.

#### *1.1.4. Special and differential treatment and negotiating positions*

In the AoA, due to their lower level of development, developing countries enjoy in some cases less strict obligations and longer implementation. Furthermore, WTO Members acknowledged the special needs of developing countries in the Doha Declaration, which states that “Special and Differential Treatment for developing countries shall be an integral part of all elements of the negotiations” (Doha Ministerial Declaration, Article 13). Thus trade distorting measures and special and differential (S&D) treatment provisions have been key issues in the ongoing negotiations on agriculture. A large number of divergent proposals, including many from developing countries and country groups, mirror the different positions and interests. The two main differences concern the degree of liberalization and the level of special and differential treatment.

Major agricultural exporters, including many developing countries, are demanding an ambitious trade liberalization round, with substantial cuts in tariffs and domestic support and the elimination of export subsidies. A group of mainly developed countries with highly protected markets favours a less ambitious round. On the other hand, net-food-importing developing countries, concerned about rising world food prices as a result of liberalization, hope to significantly increase their own production and become less dependent on imports. Least developed and developing countries that benefit from preferential access are concerned about preference erosion once the most-favoured-nation (MFN) tariffs are reduced; therefore they are less keen on an ambitious round. Thus developing countries are not a homogeneous group as they have different needs.

The majority of developing countries demand a high degree of special and differential treatment in the form of significant improvements of market access to developed-country markets while being allowed to protect their own vulnerable and sensitive markets in order to ensure rural development and food security. Measures that have been proposed for this purpose include special product (SP) provisions and a special safeguard measure (SSM) for developing countries. Under the special product provisions, a limited number of sensitive products would be exempt from reduction commitments, or commitments

would be lower, to enable developing countries to address their concerns relating to food security, rural development and security of livelihoods.

Depending on the agreement reached, SP and SSM provisions could well become instruments for enabling governments to protect female farmers. In the negotiations on agriculture and the proposals that have been made, gender is not a specific issue. However, for countries seeking to promote gender equality, the vulnerability of women as both consumers and producers in specific agricultural sectors should be taken into account when formulating domestic development policies and international negotiation strategies.

## **1.2. Regional and bilateral trade agreements**

The proliferation, expansion and deepening of bilateral and regional trade agreements (RTAs) has been one of the most significant developments since the creation of the WTO in 1995. In 2000, RTAs accounted for about 40 per cent of world trade and it is estimated that they will account for 50 per cent in 2005. Developing countries have been actively involved in this process. Regional free trade agreements generally seek to go beyond WTO rules and disciplines in some respects, and many have lower tariffs. Almost all WTO Members are also members of such agreements. In addition to reciprocal RTAs, as noted earlier, LDCs and some developing countries benefit from preferential access to some developed-country markets. Prominent examples of preferential access schemes are the Generalized System of Preferences (GSP), the Cotonou Agreement between the EU and the African, Caribbean and Pacific (ACP) group of countries, the African Growth and Opportunity Act (AGOA) of the United States and the EU's Everything-But-Arms (EBA) initiative that gives LDCs preferential access for almost all products. Market access to the EU for sensitive products, including sugar, rice and bananas, is not duty- and quota-free for LDCs, but access for these products is gradually improving.

Among the RTAs are the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA), the Southern Common Market (MERCOSUR), the Association of South-East Asian Nations' (ASEAN) Free Trade Area (AFTA), and the Common Market of Eastern and Southern Africa

(COMESA). Recently, the United States launched or concluded bilateral negotiations with developing countries such as Colombia, the Dominican Republic, Morocco and Panama. The EU has launched various trade negotiations with the ACP countries, with the aim of concluding WTO-compliant economic partnership agreements (EPAs).

Some analysts of bilateral trade agreements between developed and developing countries stress the imbalance in bargaining power between the two, as developed countries are often very important trading partners, which may cause or entrench dependency. Furthermore, agricultural products, or at least the more sensitive ones, are often not treated in the same way as industrial products. Fewer agricultural products are covered and tariff reductions are frequently smaller. Subsidies for agricultural products by developed countries are in general not covered at all. For example, difficulties in negotiations over the Free Trade Area of the Americas (FTAA) have resulted in a scaled-down approach that would allow countries to opt out of certain contentious areas such as agricultural subsidies. The United States has always refused to negotiate agricultural subsidies outside the WTO. The result is a two-tiered framework, with all participating countries agreeing to tariff reductions on foreign imports, and some countries opting out of negotiations on areas such as agricultural liberalization (Harvard University, 2004). Similar problems arise in the EPA negotiations. If the EU's relatively high tariffs on agricultural products had to be completely dismantled in these regional free trade arrangements, not only would a major diversion in trade occur, but the sustainability of the EU's Common Agriculture Policy would also be severely undermined (Tangermann, 1999).

## **2. AGRICULTURAL TRADE LIBERALIZATION AND GENDER**

### **2.1. Potential benefits from liberalizing the agricultural trading system**

Market distortions in the agricultural sector are high, and thus global efficiency gains from liberalization are also high. Estimates of the contribution of agriculture and food to global welfare gains from completely removing

trade barriers vary greatly, but could be as high as \$165 billion annually (Anderson, 2003). About one quarter of these gains would accrue to developing countries. However, it is believed that their gains will be considerably smaller if they do not reduce their own import tariffs in a properly sequenced and strategic way.

Anderson (2003) is optimistic about the benefits for developing countries from agricultural trade liberalization, particularly its impact on the poor. The price increases following liberalization would directly improve the livelihoods of a vast majority of the poor who are farmers and net food sellers. Food security would be enhanced due to their improved purchasing power, contributing thereby to poverty alleviation. The removal of agricultural subsidies would level the playing field for developing countries, and the lowering of tariffs and non-tariff barriers in developed countries would provide new export opportunities, including for women.<sup>4</sup>

However, other economists are sceptical and are more concerned about difficulties such as supply-side constraints, adjustment costs, the food bills of the net-food-importing developing countries, the development levels of their institutions and preference erosion.

Distribution and transfer effects are important, and they depend on several factors. At the country level, the gains and losses due to agricultural trade liberalization would vary for producers, consumers and governments, as follows (Vanzetti and Peters, 2003):

- Removing or reducing import tariffs, domestic support or export subsidies would lead to higher world market prices for agricultural goods. Price increases for most goods would be modest, at 1–2 per cent.<sup>5</sup> Prices for temperate products such as dairy products, meat and sugar would increase much more than the prices for tropical products such as tea, coffee and cocoa since most of the protection and support would cover temperate products.

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<sup>4</sup> Anderson does not discuss gender-specific effects.

<sup>5</sup> The price changes vary from model to model and depend on the specific scenario. The pattern, however, remains more or less the same.

- Producers in a country would gain the most if others but the host country liberalize. Producers initially protected by high tariffs and support measures would tend to lose.
- Consumers would gain considerably in countries that remove high border measures, but consumers in countries in which no liberalization occurs would lose from higher world prices.
- Net-food-exporting countries would gain in general. However, this would depend on the types of imports and exports, since relative price changes would not be equal.
- Generally, net-food-importing countries would lose, but this would depend on the trade structure and the supply capacity.
- Producers in developing countries would benefit from special and differential treatment, which means lower reduction commitments for developing than for developed countries. The producers would gain market access without increased competition in their domestic markets. Special and differential treatment would, however, have adverse effects on consumers in developing countries that do not receive income from the agricultural sector.

The above results clearly show the need to distinguish between the impact of liberalization in developing and developed countries, which constitutes the main aspect of the discussions on special and differential treatment. The interaction of various factors may produce different outcomes in different countries, including a loss of or a limited increase in welfare for women, or for some specific group in the population where the presence of women is particularly large, such as subsistence farmers. Therefore the impact of trade liberalization on women in agriculture is unlikely to be uniform.

## **2.2. Lessons learned from case studies and simulations of trade policy changes**

Trade liberalization and structural adjustment programmes usually favour agricultural exports over the production of food crops. Women engaged mainly in food production are often disadvantaged in taking up new export opportunities as they tend to be smallholders and face difficulties with regard to property rights to land and accessibility to credit and other resources.

There is very little gender-specific data concerning the impact of trade liberalization. However, as shown above, it is important to distinguish between liberalization in developed and developing countries. Most of the available case studies analyse liberalization only with regard to developing countries (i.e. in the context of structural adjustment programmes). In this case, the benefits have largely accrued to medium- and large-scale farmers in sectors where often only a few farmers and employees are female. Thus the question is whether and to what extent developing countries should be given special and differential treatment in a new agreement on agriculture in order to have enough policy space to overcome the difficulties faced by their smallholders and subsistence farmers who are often crucial for food security. Overly ambitious and fast liberalization of developing-country markets for domestically produced food crops would increase import competition, with adverse effects – at least in the short term – for these farmers.

Farmers in developing countries, male or female, could gain from improved access to foreign markets. However, owing to women's limited access to relevant resources that seem to prevent them from taking advantage of new export opportunities, gains may not always be equally distributed. On the other hand, a case study for Uganda provides examples where women have benefited more than men from greater involvement in non-traditional agricultural exports, resulting in increased household incomes.<sup>6</sup>

Furthermore, in general, smallholders have greater difficulty in complying with sanitary and phytosanitary as well as environmental standards. With lower tariffs, these non-tariff barriers to trade become increasingly important, and therefore need to be addressed in the negotiations on agriculture. In addition, women may benefit disproportionately less from reductions in tariff escalation and tariff peaks in developed countries. Women's participation in agro-processing is often very high. For example, the share of female workers in the Philippines' food-processing sector is 46 per cent, which is higher than their share in the whole economy (39 per cent); similarly, 53 per cent of India's food preservers and canners are women (ILO Labour Statistics

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<sup>6</sup> Fontana, Joeques and Masika (1998) also warn that there may be social costs involved.

database). Developing economies as a whole would gain from diversification into higher processing stages of agricultural production.

However, while the liberalization of developing countries' agricultural markets may disproportionately affect women who are engaged in foodcrop production, the situation of female consumers, often responsible for family nutrition, has to be taken into account as well. Furthermore, it is likely that female farmers benefit from reduced tariffs and non-tariff barriers in developed countries. But since men are often disproportionately engaged in the production of export crops, existing gender gaps may not be reduced without further specific measures, and the impact on women will not be uniform. The particular problems of farmers in countries benefiting from preferential access clearly have to be addressed and forms of compensation introduced. These can include the provision of technical assistance to overcome supply-side constraints and to diversify, along with financial compensation and other measures.

Gender-based inequalities in control over resources not only affect the ability of women to benefit from trade liberalization, but also affect a country's ability to respond to trade policy changes. Whereas in export-oriented, semi-industrialized countries wage gaps stimulated investment and growth, the situation seems to be different in many mainly agricultural economies. Cagatay (2001) suggests that gender inequalities hinder successful export performance in agricultural economies where smallholder producers are predominant. The World Bank (2002) has found that greater gender equality and a less rigid or extreme gender-based division of labour promote growth. Thus, to benefit from agricultural trade liberalization and increased agricultural production and productivity agricultural countries, in order to be competitive, need to address some of the constraints facing women, such as their lack of access to credit, land and fertilizers.

### **3. CONCLUDING REMARKS**

It is generally accepted that trade liberalization has different impacts on different economies and on different groups within economies. Trade liberalization expands some activities and contracts others. Gains and costs to

groups depend to a large extent on where their economic activities are based. Since women predominantly work in the agricultural sector, and their activities in other sectors differ from those of men, and since women generally receive lower wages and experience a male-bias in the control and allocation of resources within households, women and men are differently affected by trade liberalization. Three questions emerge: (i) How are each of these groups affected in absolute terms? (ii) How are they affected in relative terms, i.e. does the gender gap increase or decrease? and (iii) How do the existing inequalities between the genders influence a country's trade performance?

Existing evidence suggests that export-orientation in developing countries leads to a higher proportion of women in paid employment. Although conditions are often difficult and wage gaps persist, they are better than the alternatives. Growth in female employment seems more common in the manufacturing sector and in semi-industrialized economies. In the predominantly agricultural economies, however, trade liberalization may not unconditionally contribute to a reduction of existing gender gaps. Women's engagement in food crop production and subsistence farming is disproportionately high and they have less control over resources and land. Agricultural trade liberalization tends to benefit larger producers and the production of export crops. Since women seem to face greater obstacles in accessing land, credit and new technologies, they are disadvantaged in terms of being able to exploit new opportunities.

To the extent that a country reaps gains from liberalization and the situation for many women in rural areas remains difficult, it would be important to find ways to "make it work for women" rather than reject liberalization of trade per se. Data and research on the impact of agricultural trade liberalization on women and gender inequalities is still sparse, and thus conclusions can only be made with caution. However, building on the evidence available so far, some conclusions can be drawn. First, potential benefits for rural women seem to be available not only in the agricultural sector but, to a large extent, in other sectors as well. This requires that measures to enhance women's mobility between sectors, such as training and education should be given high priority in development policies.

Second, benefits for women in the agricultural sector may increase if their access to resources is improved (e.g. through micro-credits and specific training for women). Furthermore, institutional improvements, such as the creation of marketing organizations, could help improve trickle-down effects. This would be beneficial not only for women but also for the entire economy. Eliminating tariff escalation in developed countries would provide new employment opportunities for women in agro-processing industries.

Third, providing new alternatives for rural women, such as employment opportunities in the services sector or export industries and improving the supply capacity of women, should take place before developing-country markets are opened up to greater competition in the production of food crops. This requires special and differential treatment for developing countries in negotiations on agricultural liberalization. Special products and special agricultural safeguard mechanisms have been proposed by developing countries, and should be implemented, with a sufficiently long transition period, in order to protect vulnerable female farmers in these countries.

National policies and international support can help make agricultural trade liberalization improve developing countries' welfare and reduce existing gender gaps. At a national level, preconditions for taking advantage of new supply and export opportunities should be adjusted. For example, property rights for land should be clearly defined and efforts made in rural areas and in agro-processing industries to provide equal opportunities for education and maternal and child care.<sup>7</sup> At the international level, a halt to tariff escalation and the reduction of non-tariff barriers are key. Furthermore, technical assistance and targeted training could increase the productivity of women; this may then contribute to altering their position within families and societies in developing countries.

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<sup>7</sup> A case study in the United Republic of Tanzania showed that reducing women's time burden in a community of smallholders would increase significantly household incomes and labour and capital productivity (Tibaijuka, 1994: 69-81).

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## Chapter 5

# GENDER-RELATED ISSUES IN THE TEXTILES AND CLOTHING SECTOR<sup>1</sup>

### INTRODUCTION

The textiles and clothing sector is an extremely important source of employment for women in developing countries, often their largest employer after agriculture. It is also a sector in which developing countries have a clear comparative advantage and potential to benefit from growing trade. It therefore offers significant opportunities and prospects for women to improve their welfare. At the same time, however, the challenges that the textile and clothing industry now faces are also likely to affect many women's livelihoods.

Global trade in textiles and apparel has grown 60-fold during the past 40 years, from under \$6 billion in 1962 to \$342 billion in 2001. Today, trade in textiles and apparel represents nearly 6 per cent of total world exports of manufactures: textiles account for 2.5 per cent and clothing for 3.3 per cent. Exports in the more labour-intensive apparel industry have increased more rapidly than textile exports (apparel has increased 128-fold and textiles 36-fold), so that today apparel exports account for more than half of the total. Forty years ago developed countries were the main exporters of textiles and apparel. During the late 1980s, however, the developing countries surpassed them and now account for half of world textile exports and nearly three quarters of world apparel exports (European Commission, 2003).

The apparel and textile industries have played an especially important role in the export-oriented development of East Asia – initially in Hong Kong (China), Malaysia, the Republic of Korea, Singapore and Taiwan Province of China, and more recently, in China, Indonesia, Thailand and Viet Nam. Cross-

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<sup>1</sup> This chapter is based on contributions from Michiko HAYASHI and Melanie BAUER, UNCTAD, Geneva; Inez WIJNGARDE and Olga MEMEDOVIC, UNIDO, Vienna. Stefano INAMA, UNCTAD, has prepared the Cambodia case study.

national statistical evidence suggests that average incomes in a country are higher when this sector is performing well (Diao and Somwaru, 2001).

As reported by Gereffi and Memedovic (2003), the 1950s and early 1960s witnessed the first major change in the industry with a sharp rise in exports from Japan to the North American and Western European markets. The second shift was a relocation of production from Japan to the East Asian economies of Hong Kong (China), the Republic of Korea and Taiwan Province of China, which dominated the export markets in the 1970s and early 1980s. In the late 1980s, production then migrated from these three East Asian economies to other developing countries, such as China, several South-East Asian countries (Indonesia, Malaysia the Philippines and Thailand) and Sri Lanka. In the 1990s, new suppliers included South Asian countries, notably Bangladesh, and Latin American countries, in particular, Mexico.

The globalization of apparel production is driven by many factors, but especially two: labour costs and the quota system that was put in place by the Multi-Fibre Arrangement (MFA) in 1974. The enormous differential in labour costs of apparel production between countries has played a significant role in driving the global apparel production system. The labour intensity of this industry, has been the main factor leading to a relocation of the labour-intensive segments of the apparel value chain to countries offering a large supply of low-cost female labour. In addition, under the MFA various countries – particularly the United States and the European Union (EU) countries – have maintained quotas for different categories of apparel and textile imports for nearly 30 years. This has resulted in the global dispersion of textile and apparel production by restricting imports from countries that would have had a larger volume of exports were they not constrained by their quota allocations.

The international trade regime for textiles and clothing will experience a historical and critical landmark at the end of 2004, when the remaining quota restrictions are finally abolished. Textiles and clothing, which have been subject to discriminatory treatment for over 40 years, will then become subject to the general rules and disciplines of the World Trade Organization (WTO). While this is expected to bring considerable welfare gains, it will also pose

challenges of direct relevance to women working in this sector in developing countries.

This chapter discusses these challenges. Section one provides a statistical overview to highlight the importance of the sector for these economies, and specifically for women's employment in developing countries; section two briefly summarizes the trade regime for textiles and clothing; section three discusses the main trade-related issues, which have an impact on women, particularly in the current phase of rapid changes and adjustments; and finally, section four presents a case study of the specific challenges facing the garment industry in Cambodia and the impact of the upcoming quota phase-out on the largely female workforce.

## **1. GLOBAL TRENDS IN THE PRODUCTION AND EXPORT OF TEXTILES AND CLOTHING**

Globalization has led to a redistribution of production locations of the textile and clothing industry. The international production system is organized along a buyer-driven chain, characterized by highly competitive and globally decentralized factories with low entry barriers. At the top end of the chain are some lead firms located in developed countries. These lead firms are brand-name apparel companies, "manufacturers without factories", which concentrate their activities on high-value research, design, sales, marketing and financial services, while subcontracting and coordinating the production phase to a network of suppliers in low-cost producing countries. The top end of the chain is characterized by high profitability and high entry barriers.

Producers of clothing, mainly in developing countries, are generally organized following three distinct models (Gereffi and Memedovic, 2003):

- (i) Simple assembly lines, using imported inputs (fabrics and textiles originating from countries of lead firms or third countries);
- (ii) Original equipment manufacturing (OEM), whereby the manufacturing firm makes a product according to a design specified by the buyer and the product is sold under the buyer's

- brand name (inputs can be imported or produced in the supplying country, also by the OEM firm); and
- (iii) Original brand-name manufacturing (OBM), whereby the manufacturing firm upgrades to activities higher up in the chain. This could include design and may later progress to the sale of own-brand products.

Many trade arrangements have encouraged or facilitated the organization of international production along the buyer-driven global value chain, including:

- Production-sharing schemes, such as the United States' tariff schedule provision 807 or 9802, the EU outward-processing trade (OPT) arrangement and the Hong Kong (China) outward-processing arrangements (OPAs). Generally under these schemes, clothing which is assembled offshore using imported inputs from countries granting the schemes, can be reimported to originating countries with a tariff charged only on the foreign value added.<sup>2</sup>
- The quota system under the MFA.
- Regional trade agreements such as the North American Free Trade Agreement (NAFTA).
- Other non-reciprocal preferential trade schemes, such as the Cotonou Agreement between the EU and the African, Caribbean and Pacific (ACP) countries, the United States' Caribbean Basin Initiative, the EU's Everything-But-Arms Initiative (EBA) and the United States' African Growth and Opportunity Act (AGOA).

These models have been followed quite distinctly by various countries. The early shifts of production to East Asia resulted in these economies moving out of simple assembly activities to OEM, and some of them to OBM. As wages increased there, producers began to rely on a triangular manufacturing system, whereby the lead firms in the industrialized countries placed their orders with the manufacturers in the East Asian economies, who in turn shifted some or all of their production to affiliated offshore factories in low-income countries.

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<sup>2</sup> Under these schemes, companies engaged in production sharing have an incentive to minimize locally purchased inputs; this discourages a deeper integration of export activities within the local economy.

This outsourcing of production was triggered by cost conditions, but also, to a large extent, by the allocation to low-income countries by quota-granting countries/regions (mainly the United States and the EU) of export quotas for their respective markets.

At the other end of the spectrum there are some low-income countries that have created export processing zones (EPZs) for the purpose of assembling clothing from fabrics imported from countries benefiting from production-sharing schemes or other preferential arrangements (such as the Caribbean Basin Initiative). However, some countries, such as Mexico or Turkey, have made efforts to upgrade their production to the OEM system and to diversify into the production of textiles.

These global production patterns, along with the preferential trading schemes, have contributed in the last two decades to a sustained growth in textile and clothing exports, making them the second most dynamic products in world trade. Between 1980-98 trade in this sector increased at annual rate of 13 per cent, after exports of electronic and electrical goods which grew at 16 per cent (UNDP, 2003: 174). During this period, clothing exports from developing countries increased sevenfold and textile exports fivefold, while the corresponding figures for developed countries were threefold and twofold.<sup>3</sup> In 2000, developing countries accounted for 60 per cent of total world exports of clothing, and for 46 per cent of textiles, while 20 years earlier the corresponding figures had been 8 and 9 per cent respectively. Bangladesh is an example of a country where the sector experienced spectacular growth: its clothing exports grew from \$1 million in 1978 to \$4.5 billion in 2001 (UNDP, 2003: 171 and UBINIG, 2003: 231).

The leading exporters of textiles and clothing in 2001 are shown in tables 1 and 2. The major developing-country exporters of textiles were China, Hong Kong (China), Taiwan Province of China, India and Pakistan. The leading developing-country exporters of clothing were, China, Hong Kong (China), Mexico, India, Bangladesh and Indonesia. Many developing countries experienced a phenomenal growth, particularly in clothing exports, and for

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<sup>3</sup> UNCTAD WITS-TRAINS Data Base.

many of them textile and clothing exports represented a very important source of foreign exchange earnings (table 3).

**Table 1. Leading exporters of textiles, 2001**

(Billions of dollars and percentage)

Country/region	Value		Share in world exports	
	2001	1980	1990	2001
European Union (15)	50.54	49.4	48.7	34.4
Extra-EU exports	22.00	15.0	14.5	15.0
China <sup>a</sup>	16.83	4.6	6.9	11.4
Hong Kong, China	12.21	–	–	–
- domestic exports	1.05	1.7	2.1	0.7
- re-exports	11.16	–	–	–
Korea, Rep. of	10.94	4.0	5.8	7.4
United States	10.49	6.8	4.8	7.1
Taiwan Province of China	9.92	3.2	5.9	6.7
Japan	6.19	9.3	5.6	4.2
India <sup>b</sup>	5.90	2.1	2.1	3.8
Pakistan	4.53	1.6	2.6	3.1
Turkey	3.91	0.6	1.4	2.7
Indonesia	3.20	0.1	1.2	2.2
Canada	2.16	0.6	0.7	1.5
Mexico <sup>a</sup>	2.09	0.2	0.7	1.4
Thailand	1.89	0.6	0.9	1.3
Switzerland	1.44	2.8	2.5	1.0

<sup>a</sup> Includes significant shipments through processing zones.

<sup>b</sup> Figures are for 2000 instead of 2001.

Source: WTO data.

**Table 2. Leading exporters of clothing, 2001**

(Billions of dollars and percentage)

	Value	Share in world exports		
	2001	1980	1990	2001
European Union (15)	47.09	42.0	37.7	24.1
Extra-EU exports	15.75	10.4	10.5	8.1
China <sup>a</sup>	36.65	4.0	8.9	18.8
Hong Kong, China	23.45	–	–	–
- domestic exports	9.26	11.5	8.6	4.7
- re-exports	14.18	–	–	–
Mexico <sup>a</sup>	8.01	0.0	0.5	4.1
United States	7.01	3.1	2.4	3.6
Turkey	6.63	0.3	3.1	3.4
India <sup>b</sup>	6.03	1.5	2.3	3.1
Bangladesh	5.11	0.0	0.6	2.6
Indonesia	4.53	0.2	1.5	2.3
Korea, Rep. Of	4.31	7.3	7.3	2.2
Thailand	3.58	0.7	2.6	1.8
Romania	2.77	–	0.3	1.4
Dominican Republic <sup>a, c</sup>	2.71	0.0	0.7	1.4
Tunisia	2.60	0.8	1.0	1.3
Taiwan Province of China	2.48	6.0	3.7	1.3

<sup>a</sup> Includes significant shipments through processing zones.<sup>b</sup> Figures are for 2000 instead of 2001.<sup>c</sup> Includes WTO Secretariat estimates.

Source: WTO data.

**Table 3. Economies for which textile and clothing exports are the major source of foreign exchange earnings**

Country/economy	Percentage of total export earnings*
Afghanistan	39
Bangladesh	89
Bhutan	35
Cambodia	89
Hong Kong, China	33
India	33
Lao PDR	86
Maldives	84
Myanmar	75
Nepal	89
Pakistan	80
Sri Lanka	68
Benin	35
Burkina Faso	47
Cape Verde	32
Lesotho	95
Madagascar	51
Mali	43
Mauritius	61
Swaziland	28
Chad	75
Egypt	30
Jordan	46
Morocco	41
Tunisia	53
Dominica	51
Guatemala	53
Honduras	69
Haiti	83
Nicaragua	50
El Salvador	83

Source: UNCTAD WITS-TRAINS Data Base.

\* The figures in this column are the percentage of textile and clothing exports to OECD countries in the total exports to these countries.

Available gender-specific employment data in the textiles and clothing sector indicate the importance of the sector for female employment in virtually all countries (table 4 and Chapter 1, annex table A 1.2). Women's share in paid employment in this sector is particularly high in countries that are strong exporters (varying between 60 and 90 per cent). In India, the ratio of female workers is much lower than in the other countries, even though the textiles and clothing sector is the largest employer of women after agriculture.

**Table 4. Ratios of female workers in paid employment in the textiles and clothing sector in selected developing countries**  
(latest year available)

Country/economy	Female workers (percentage)
Bangladesh*	90
Cambodia*	90
Hong Kong, China	63
India	11
Macao, China	76
Philippines	72
Sri Lanka*	87
Botswana	80
Mauritius	67
Colombia	62
Costa Rica	58
Ecuador	56
Mexico	57
Peru	43

*Source: Based on ILO Yearbook of Labour Statistics, 2003.*

\* Figures are from studies referred to in this chapter.

*Note:* The latest years for individual countries are indicated in Chapter 1, annex table A1.2.

Experiences with upgrading of production activities in developing countries in the context of global value chains are important, not only from the point of view of their long-term development implications but also for their impact on female employment. However, as mentioned earlier, export-oriented activities in the textile and clothing industries have traditionally relied largely on cheap female labour, while the upgrading of the industry usually makes use of male skills, as women seldom have the opportunity to be trained for higher skilled jobs (see box).

**Box 1. Gender aspects of employment in the textiles and clothing sector**

A review of the experiences of Bangladesh, Madagascar, South Africa and Viet Nam is useful to illustrate the impact of the expansion of textile and clothing exports on employment opportunities, working conditions and wage equality between men and women working in these industries.

***Bangladesh***

Trade expansion in the textiles and clothing sector has led to a huge increase in employment opportunities for women, who now represent 90 per cent of the total 1.8 million workers in this sector. This has had positive effects on women's income, as their daily wage rates in the garments sector are twice as high as those paid to agricultural labourers and higher than those of construction workers. It has also improved their levels of educational attainment and economic independence, and thus improved their position within the household (Bhattacharya and Rahman, 1999). However, women have been employed mainly in low-skill jobs (e.g. production workers or helpers), with slim prospects for promotion to higher skill jobs, such as supervisors or production managers (Paul-Majumder and Begum, 2000). Moreover, women workers often are simply bypassed when new technologies are introduced, as they are not trained to use them. Survey results also reveal that about 40 per cent of women's illnesses and diseases do not receive any medical treatment compared to 33 per cent of men's, and that only 35 per cent of female workers who asked for leave were granted paid leave, compared to 60 per cent of male workers (Paul-Majumder and Begum, 2000).

Even though nominal as well as real wages in the sector have increased over the last 20 years, women benefit substantially less than men. The largest growth in wages has been observed in the category of skilled workers, mostly men. Between 1990 and 1997, the gender-related wage gap widened: female wages were equivalent to 66 per cent of male wages in 1990 and to only 59 per cent in 1997. Even after controlling for skills, the gender-related wage gap persisted (Paul-Majumder and Begum, 2000).

The contribution to family income of women employed in export-oriented garment production amounts to 46 per cent. Without the earnings of these women, about 80 per cent of families would slide below the poverty level. Female garment workers are able to control at least a minimal part of their income, which they often use for medical care, clothing, savings or investments. In Bangladesh, the development of the export-oriented garment industry seems to have had a positive effect on women's level of education. Survey findings show that in 1990 about 65 per cent of female workers had at least one year of formal schooling, and this figure increased to 78 per cent in 1997 (Paul-Majumder and Begum, 2000).

***Madagascar***

Employment in the textile and clothing industry increased by 30 per cent annually between 1995 and 1999, creating numerous new employment opportunities for women. In 1999, female workers represented about 75 per cent of the total labour force (Nicita and Razzaz, 2003). Paid employment in this sector offers real improvement in the economic status of women who were holding marginal jobs in the informal or rural sectors before entering the textile labour market.

Women employed in the Madagascar textile industry have a relatively high level of education, but in most cases not as high as that of men. Consequently, men occupy skilled job positions and women are stuck in the lower job categories. In addition, almost half of the female workers are employed on a temporary or subcontracted basis, while the majority of the male labour force works in permanent salaried positions. Since temporary jobs typically have a high turnover, women are exposed to a greater degree of job insecurity and earn lower wages. Econometric estimates show that besides education, age and origin, the gender factor represents the most significant determinant of an individual's expected wage level. After controlling for skills, male workers still receive 30 per cent higher wages (Nicita and Razzaz, 2003).

Many employers in the Madagascar textile industry offer social benefits such as healthcare, paid leave and pension. Women seem to be clearly advantaged in respect of these benefits, in contrast to the apparent discrimination against them in terms of wages and job security. Survey results show that the proportion of women receiving the whole package (pension, healthcare plus paid leave) is almost four times as high as men (Nicita and Razzaz, 2003).

***South Africa***

In the South African textile sector, despite an increase in production until 1997, employment has constantly fallen since the 1990s. Spinning, weaving and finishing activities have been the worst hit, with a fall in employment of 40 per cent between 1996 and 1999 (Roberts and Thoburn, 2003).

Survey results reveal substantial occupational segregation by gender in the textile labour market. Jobs typically performed by women include spinning, mending fibres and cleaning; they are extremely underrepresented in occupations that demand higher skills, such as supervisors or middle managers. Despite existing legislation that aims at providing equal opportunities in the workplace, survey findings show that in many cases female workers are excluded from promotion. Even though it is not necessarily explicit company policy, the fact that women perform mainly unskilled work makes their promotion to higher status positions rather unlikely. Furthermore, training is generally given in activities requiring technical abilities, in which mainly men are employed (Bezuidenhout et al., 2003).

Although the majority of male and female workers are employed on a permanent basis, there are more women than men hired with either unwritten contracts or on a casual or temporary basis, which results in greater job insecurity for the female labour force. Regarding wage distribution in the South African textile sector, survey results for 2002 indicate that more than 80 per cent of the female workforce was in the low income groups (Rand (ZAR) 100–500; ZAR 600–900 per week) compared to only 47 per cent of male workers. Furthermore, women's mean monthly household income per capita was reported to be about 71 per cent that of men's. Nevertheless, in spite of these differences, the majority of employees in the South African textile sector live above the national poverty line (ZAR 352.5 per adult/month in 2002) and are able to cover their basic household needs (Bezuidenhout et al., 2003).

### ***Viet Nam***

Even though textile output in Viet Nam rose by 74 per cent between 1990 and 1999, total employment during that time fell by 31 per cent (Nguyen, Sutherland and Thoburn, 2003). Female workers represented about three quarters of the textile workforce and the female labour participation rate was recorded to be as high as 80 per cent in 1998 (Bales, 2000).

The Vietnamese textile labour market is characterized by gender-related job segregation. Survey findings show a high concentration of the female labour force in jobs such as weaving, spinning or hanging fibres, while men are employed mainly in more technical and skilled positions such as machine supervisors or fabric dyers. Furthermore, with the introduction of new technologies in many firms, women's jobs, such as weaving or spinning, have been made redundant. Since men have a higher level of education, necessary to operate newly introduced technologies, there has been a shift towards a preference for male labour. There seemed to be few gender-related wage disparities in the Vietnamese textile industry. According to survey results, women workers' weekly earnings are around 86 per cent those of men's, and in daily terms, around 88 per cent. The Vietnamese textile industry often provides a range of social non-wage benefits, particularly for the female labour-force, comprising maternity leave or medical examinations (Nguyen, Sutherland and Thoburn, 2003).

The majority of female workers seem to have sole control over their incomes while men, in their traditional function as the head of the family, are expected to share their earnings with other household members. However, women are still heavily involved in domestic responsibilities, which prevents them from pursuing further education. Even though in most cases there are no specific gender barriers that exclude women from further training, men simply have more time to take advantage of advanced training opportunities.

## **2. THE INTERNATIONAL TRADE REGIME FOR TEXTILES AND CLOTHING**

For over 40 years exports of textiles and clothing from developing countries have been the target of special discriminatory measures. This trade regime started with the Cotton Textile Arrangements in the late 1950s. In 1974 the Arrangement Regarding International Trade in Textiles (the Multi-Fibre Arrangement (MFA)) entered into force, which expanded the coverage from cotton products to synthetic fibres and wool and thus involved practically all textile products. There were more than 25 restricted countries, mostly developing, and a few Eastern European countries. No developed country was restricted. Annual quotas were negotiated bilaterally between restricting and restricted countries. The MFA was supposedly a temporary arrangement, but it was extended four times and lasted until 1994 when it was replaced by the Agreement on Textiles and Clothing (ATC) concluded in the context of the Uruguay Round of Multilateral Trade Negotiations. Over time, some restricting countries lifted their quota restrictions permanently and by 1994 only the EU, Norway, the United States and Canada maintained quotas.

While developing countries gained an important share of world trade in textiles and clothing, the opportunities for their export expansion were seriously hampered by the MFA. The ATC provides for the progressive elimination of all remaining quota restrictions by the end of 2004 and the integration of the sector into GATT rules. During the transition period no new quotas can be introduced and the ATC itself will expire on 31 December 2004, when all textiles and clothing trade will be integrated fully into the WTO system.

The elimination of quotas over the 10-year transition period was to be phased, starting on 1 January 1995 with the integration by Members of products representing no less than 16 per cent of that Member's total 1990 imports of all covered products. On 1 January 1998, no less than a further 17 per cent and on 1 January 2002, no less than another 18 per cent was integrated. Finally, on 1 January 2005, all remaining products (amounting up to 49 per cent of 1990 imports into a Member) will be integrated with the termination of the Agreement.

Products that had not been subject to quota restrictions were included in the integration programme, and the selection of products for integration was left to the discretion of the restricting countries. They chose to liberalize the majority of the restrained products at the end of the transition period. This means that the majority of products under quota remain restricted until 31 December 2004 (WTO, 2001: 5).<sup>4</sup> Textiles and clothing imports in the restrained countries account for 60 per cent of total world imports, and the fact that one half of these imports are restricted by quotas underscores the importance for developing-country exporters of the 2005 final quota elimination deadline.

Because of the magnitude of the global welfare gains expected to result from the quota elimination, the conclusion of the ATC was regarded as one of the major achievements of the Uruguay Round. Studies estimate that import expansion would be in the range of 100 to 240 per cent (Abreu, 1995: 61). For developing countries it was estimated that the annual export revenues and income gains from liberalization would amount to \$40 billion and \$24 billion, respectively, while about 27 million jobs would be created (IMF and World Bank, 2002: 42-43). As a result, gains from the quota elimination, especially in terms of employment opportunities, may lead to considerable welfare benefits for women in poor countries.

### **3. IMPLICATIONS FOR WOMEN FOLLOWING FULL INTEGRATION OF TRADE IN TEXTILES AND CLOTHING WITHIN THE WTO SYSTEM**

#### **3.1. Post-ATC adjustment costs**

The scrapping of quotas will finally unleash the full potential for expansion of the textiles and clothing industry in developing countries, but at the same time international competition will intensify. The post-ATC phase poses a particular challenge for textiles and clothing manufacturers and women producers in these countries. Under the MFA, the availability of quotas was key to helping a number of them become successful exporters, leading to

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<sup>4</sup> By 2001 only 20–21 per cent of trade that was *actually* under quota restriction had been integrated.

export specialization that is not fully based on comparative advantage. Importers in countries imposing quotas engaged in “quota-hopping”, meaning that they moved production from one country to another, searching for suppliers who could assemble garments cheaply and export back to their countries without being restricted by quotas. As quotas secured market access, investments were made in a number of developing countries to build production facilities, so that eventually textile and clothing exports became a major source of foreign exchange earnings.

However, as quotas become fully phased out, firms which have relied on such a “trade-policy related” competitive factor, are generally expected to undergo significant consolidations and adjustments. Furthermore, China’s accession to the WTO adds another major element affecting competition in the textiles and clothing trade, particularly when the transitional safeguard provision expires on 1 January 2009.<sup>5</sup> The impact of the post-ATC adjustment process on women is likely to be mixed. In some cases, employment opportunities for women have increased as the result of the quota phase-out implemented so far.<sup>6</sup> However, it appears highly probable that some labour shedding will take place, affecting women the most.

The social and economic impact could be considerable as their prospects for alternative employment is generally small. In this regard, it is crucial that specific efforts be deployed in order to upgrade women’s skills, especially among those engaged in relatively simple operations, such as sewing and finishing. In preparing for post-ATC competition, manufacturers need to modernize their factories and upgrade their products through the introduction of new technologies. In this context, there is a genuine apprehension that low-skilled women workers might be pushed aside. Therefore, governments, the international community and NGOs need to make concerted efforts to provide them with training and support.

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<sup>5</sup> China’s WTO Accession Protocol provides that any WTO Member is able to introduce safeguard measures against Chinese textiles and clothing exports, under certain specified conditions.

<sup>6</sup> For example, there has been a substantial rise in female employment in India as a consequence of the phasing out of the MFA (Jha, 2003: 16).

The handloom and handicraft sectors are largely domestic-market oriented, and, traditionally, key employers of women. For example, in Bangladesh, the handloom sector comprises nearly one million weavers, accounting for about one third of the employees in the country's manufacturing sector (UBINIG, 2003: 232). In India, the handloom, handicraft and decentralised power loom sectors employed over half of the total workforce in the textile and apparel industry in 2001 (Centre for Social Research, 2003: 170). The home-based single loom producer might have limited productivity, but these craft-oriented operations provide gainful employment for the weavers and their families and, moreover, they contribute significantly to rural development. While the handloom and handicraft sectors have the potential to grow further, they are not sheltered from the post-ATC challenges. Increasing imports and smuggling, as well as intensified competition and pressure to cut prices have the potential to adversely affect women active in these types of activities.

In order to smooth out adjustment costs, the ATC had provided a 10-year transition period to phase out quota restrictions. Indeed, the ATC required the phase-out process to be "progressive". However, restraining countries chose to protect domestic interests over considerations of costs being faced by producer countries. As a result, the brunt of the adjustments has now been shifted to manufacturers and their employees, including a large number of low-skilled women producers who are being exposed to significant and sudden structural changes.

### **3.2. Market-access issues**

Market access for textiles and clothing products from developing countries will remain an important issue in the post-ATC environment, and some issues will have a direct bearing upon women in these countries. These include: increasing protectionist pressures, tariff escalation and pressures for reciprocal liberalization, entry conditions relating to sustainability, and duty- and quota-free market access for textiles and clothing from the least developed countries (LDCs).

Since the ATC entered into force, restraining countries have initiated numerous contingency protection measures. For example, the EU initiated 53

anti-dumping and countervailing actions in the textile sector between 1994 and 2001, while the United States invoked 28 safeguard measures under the ATC between 1995 and 2001 (WTO, 2003a: 2; 2001:14). These measures were used even against imports under quota restrictions, and they targeted individual enterprises, often SMEs with few resources to participate in legal proceedings. All these actions have adversely affected a large amount of exports of the countries and firms involved (WTO, 2001:14). The specific impact on women producers may also be significant. For example, Oxfam reported that the EU anti-dumping duties imposed on bed linen imports from India resulted in the cutting of more than 1,000 employees, mostly women (Oxfam, 2002: 104).

The pattern of contingency measures invoked since the ATC was introduced is not encouraging for women in the textiles and clothing sector. There are concerns that restrictions on exports from developing countries could continue through the use of such measures.<sup>7</sup> In addition, protectionist pressures are also mounting in various developed countries with respect to the stiff competition exercised by Chinese exports of textile and clothing products.<sup>8</sup> In this context, the Members of the International Textiles and Clothing Bureau have proposed that developed-country WTO Members allow a grace period of two years, during which they would refrain from initiating anti-dumping investigations on imports of textile and clothing products from developing countries (WTO, 2003b).<sup>9</sup> Efforts to avert any protectionist backsliding would be welcome and

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<sup>7</sup> This concern was also reflected in the IMF/World Bank joint study which pointed out that: "The backloading of effective liberalization under the ATC is particularly unhelpful, as it turns what could have been a gradual adjustment process into a shock at the end of the transition period - for both importing and exporting countries. This raises concerns that political pressures might spark greater recourse to other forms of protection once quotas are phased out, with trade remedy action and perhaps non-transparent 'voluntary' export restraints (prohibited in principle under the WTO) becoming a 'new line of defense.' In addition, the sudden withdrawal of quota protection at the end of the transition period is likely to increase resistance to further reductions in tariffs." (See IMF and World Bank, 2003, paragraph 68).

<sup>8</sup> See, for instance, *Inside US-China Trade*, "EU to monitor China textiles in wake of pending US safeguards", 4 December 2003.

<sup>9</sup> This proposal is based on the Decision on Implementation-Related Issues and Concerns adopted at the WTO Doha Ministerial meeting, which agreed to improve disciplines in the anti-dumping field taking into account the special situation of developing countries.

could also contribute significantly to the job security of women working in the sector.

Apart from the possibility of a resurgence of protectionism in the aftermath of the elimination of quotas, it is worth pointing out that tariffs on textiles and clothing remain much higher than the average tariffs on industrial products, and the highest among industrial products in developed countries. The average post-Uruguay Round tariffs on textiles and clothing for the three major industrialized markets are 14.6 per cent for the United States, 9.1 per cent for the EU and 7.6 per cent for Japan, while average industrial tariffs are 3.5 percent, 3.6 per cent, and 1.7 per cent, respectively. Furthermore, disaggregated tariffs reveal that particularly high tariffs are imposed on textile products. The post-Uruguay Round rates indicate that 52 per cent of textiles and clothing imports in the United States are subject to duties of 15.7–35 per cent, 54 per cent of the EU imports have duties between 10.1 per cent and 15 per cent and 55 per cent of Japanese imports face duties between 5.1 per cent and 10 per cent. Thus, even after quota elimination, tariff escalation in the industrialized countries will continue to be a significant barrier to trade in textiles and clothing (Blackhurst, Enders and Francois, 1996).

At the tariff negotiations taking place in the WTO Negotiating Group on Market Access, developing countries have demanded that tariff peaks be eliminated. Industrialized countries have insisted that developing countries undertake reciprocal liberalization, and that the textiles and clothing sector be included in the sectoral negotiations.<sup>10</sup> However, rapid and full liberalization of the textiles and clothing sector would need to be evaluated with care, as industries in developing countries are undergoing significant and sometimes painful adjustments due to the sudden quota elimination. Potentially negative impacts on women working in the sector would also need to be taken into account. In this regard, developing countries need to identify the appropriate

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<sup>10</sup> The largest developing-country exporters tend to have higher tariffs. Members of the Association of South-East Asian Nations (ASEAN), China and South Asian countries all have average tariffs in the range of 20–33 per cent on textiles and of 30–35 per cent on clothing, with individual tariff lines far exceeding these levels. Mexico and the Southern African Customs Union (SACU) also have high tariffs on clothing. However, extensive duty exemptions are also in place (IMF and World Bank, 2002: 41-42).

pace of any future liberalization, making sure that any outcome be gender-sensitive and inclusive of specific measures which would address the concerns of women working in the sector.

In their effort to integrate LDCs into the global economy, WTO Members have committed to the objective of providing unrestricted market access for products originating from LDCs. Various developed countries have adopted specific schemes for that purpose. Among the most relevant for textile and clothing exports are the non-reciprocal, preferential trade arrangements of the EU (i.e. the 2001 Everything-But-Arms (EBA) initiative) and of the United States (i.e. the 2000 African Growth and Opportunity Act (AGOA)). The EBA initiative provides duty- and quota-free access to textiles and clothing products from all LDCs.<sup>11</sup> The AGOA covers the sub-Saharan African countries, however, in order to be eligible for preferential treatment, countries must meet a number of conditions, and eligibility is determined on a yearly basis.<sup>12</sup>

These preferential trade schemes have contributed to the development of the garment industry in various LDCs. However, the utilization of preferences for textiles and clothing remains below potential due to restrictive rules of origin and cumbersome administrative procedures (UNCTAD, 2001; 2003; Inama, 2002; Brenton, 2003). Improvements in these areas would contribute to the creation of further employment opportunities for women. So would the granting of unrestricted market access to textiles and clothing products from all LDCs by those developed countries that have not so far done so. For instance, Asian and Pacific LDCs<sup>13</sup> are not beneficiaries of any preferential trade arrangement in the United States, except the Generalized System of Preferences (GSP), which does not cover textiles and clothing.

### **3.3. Labour conditions**

Labour conditions are of special concern for women working in the textiles and clothing sector. There have been reports from various countries of

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<sup>11</sup> The only exclusion is at present Myanmar.

<sup>12</sup> As of 2004, 37 sub-Saharan African countries were eligible, while 11 were not.

<sup>13</sup> These include: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao PDR, Nepal, Samoa, Solomon Islands, Tuvalu and Vanuatu.

extremely poor and hazardous working conditions, including excessively long hours, lack of freedom of association, continuous inhaling of toxic substances and the prohibition of rest breaks (Jha, 2003). As competition is expected to significantly intensify after the final elimination of quotas, there is a danger that working conditions for women will further deteriorate because of more intense pressures to cut production costs.

A large number of women working in the sector have migrated from desperately poor rural areas that offer no alternative employment opportunities, and some have child-care responsibilities. Although employment in the sector offers better pay and a higher quality of life than might otherwise be possible for them, these women have limited bargaining power and are vulnerable to exploitation (UNDP, 2003; Jha, 2003). It is thus essential that governments ensure implementation of the relevant conventions of the International Labour Organization (ILO), and put in place appropriate implementation and monitoring mechanisms to prevent exploitation of women workers.

At the same time, while exporters of textiles and clothing in developing countries recognise that compliance with the ILO labour standards is a crucial factor for maintaining their competitiveness, and they have been making efforts to meet the requirements, this issue should not give developed countries any pretext to introduce protective measures. Furthermore, as international retailers and apparel makers are under tight scrutiny in their home countries with regard to the labour conditions prevailing in their suppliers' operations, and since a bad reputation would hurt their businesses seriously, they often impose their own codes of conduct which may go beyond international standards. As competition intensifies following the elimination of quotas, private codes of conduct could be tightened, imposing unreasonable requirements on developing-country suppliers and thus hurting their businesses (Baughman, 1997).

#### **4. IMPACT OF THE PHASING OUT OF QUOTAS ON FEMALE GARMENT WORKERS IN CAMBODIA: A CASE STUDY**

Cambodia's garment exports have been subject to quotas in the United States, its main market. This, paradoxically, has had a benign effect. A number of garment factories have moved some of their operations there to Cambodia in order to exploit the quota advantage granted to that country. However, Cambodia's forthcoming accession to the WTO will mean both the guarantee of stable most-favoured nation (MFN) market access conditions to the United States, as well as the disappearance of all quota allocations. With the phasing out of quotas, foreign investors will inevitably need to re-evaluate costs and benefits of producing in and exporting from Cambodia. The adjustments that the changes in trade regulations are likely to bring about give rise to concern for the social implications on the mainly female workforce active in the garment industry there.

Cambodia remains a least developed country – its per capita GDP, at \$257 in 2000, was one of the lowest in the region. The incidence of poverty, at 30 per cent, is high. Its economy is mainly rural and the majority of its population depends on rice cultivation for its livelihood. The incidence of rural poverty, at 40 per cent, again is high. Another 40 per cent of the rural population lives close to the poverty line and is vulnerable to falling below that line at any time. Furthermore, Cambodia has a very narrow industrial base, which almost exclusively relies on garment exports. Hence, in the short term, the survival of the Cambodian garment industry is critical for its economy, for the large workforce, mainly women, employed in the sector and for the rural households these women support through remittances.

##### **4.1. Main features of the garment industry in Cambodia**

The garment industry has been the engine of growth and the backbone of the Cambodian economy since the mid-1990s. Currently, there are well over 200 garment factories concentrated around Phnom Penh and neighbouring provinces, and they employ an estimated 200,000 workers. The garment industry is highly labour-intensive, and the average wage rate remains relatively competitive as compared to neighbouring countries. However, a high

labour-force turnover, lack of a well-trained, middle-level management, a low skill base of garment workers, and low labour productivity have been indicated as factors partly offsetting the competitive labour costs (Van, 2003). Moreover, the industry is heavily dependent on imports of fabrics and accessories as production inputs (Konishi, 2003). This represents about 65 per cent of the price of a finished garment, leaving approximately 35 per cent as the local value added. The cost of labour has been calculated as comprising 15 per cent of total costs.

Garments are the fastest growing business for FDI in Cambodia. More than 90 per cent of the factories are foreign-owned and are limited to the production of garments. Marketing and strategic management decisions are taken by parent companies abroad. The industry has no deep roots in Cambodia. FDI inflows started in the mid-1990s and there was a net increase of FDI in the garment industry, from \$46.6 million in 1996 to \$99.8 million in 1997. There was also a corresponding increase of investment stocks, from \$65.2 million in 1995 to \$111.9 million in 1996 and \$211.6 million in 1997 (UNCTAD, 2000). FDI in the clothing industry in Cambodia is essentially export-oriented and has been largely motivated by the fact that exports from neighbouring countries were restricted by existing quotas. FDI has contributed to the rapid increase in garment exports, from \$4 million in 1994 to more than \$1 billion in 2001; garments now account for almost 95 per cent of total exports.

The absence of quotas to the EU market, preferential access under the EU's GSP and, since 2001, the EBA initiative, have attracted investors from other Asian countries that were subject to quota restrictions and had graduated out of the EU's GSP scheme. However, in spite of these relatively favourable access conditions to the EU market, garment exports are heavily concentrated in the United States market where a number of garment products are covered by quotas.<sup>14</sup> After these expire in 2005, the market-access edge that Cambodia has over neighbouring countries will be substantially reduced. Thus foreign

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<sup>14</sup> In 2001, exports of knitted and crocheted garments of HS chapter 61 accounted for 60 per cent of Cambodian exports to the United States market and 40 per cent to the EU. For exports of non-knitted, non-crocheted garments of HS chapter 62, the United States market accounted for 75 per cent and the EU market 21 per cent (UNCTAD calculations, based on data from the COMTRADE database).

investors' decisions on whether to close, keep or expand operations in Cambodia will largely depend on overall costs and efficiency of operations. The competitive labour price, given the relatively minor weight of labour costs in the total production costs of finished garments, may not be sufficient to ensure profitability of business activities, and thus may prove insufficient to attract or retain FDI.

However, the effect of the phasing out of quotas remains partially uncertain, and may not automatically result in the relocation of the garment industry out of Cambodia. An analysis conducted by the private sector indicated that non-quota garment exports increased dramatically, almost sevenfold, during the period 1999–2002 in the United States market, the main destination for Cambodian garment exports. This rise was accompanied by a 31 per cent drop in prices. In-quota garment exports grew much slower, but prices increased. Hence, it remains to be seen whether, after the phasing out of quotas, world prices for these products will drop below the threshold that would drastically affect the competitiveness of the Cambodian garment factories. If it becomes impossible to compete or secure a reasonable profit, it is likely that foreign investors will decide to relocate their Cambodian production units to other countries, unless other conditions justify the maintenance of production in Cambodia (Van, 2003).

#### **4.2. Phasing out of quotas: possible effects on employment of the female workforce in the garment sector in Cambodia**

Cambodia has the highest female labour participation rate in the region, at 74 per cent for women over 15 years of age. Women's labour participation has played a pivotal role in the development of the industry. According to a survey conducted by the National Institute of Statistics, about 64 per cent of all workers in the manufacturing sector are employed by the garment industry, and 85–90 per cent of the workers in the garment industry are women. Many of these workers are single women between the ages of 18 and 24 years who come from poor rural families. Their level of education is generally low, and their average monthly income is \$50–80. This income supports at least 100,000 poor rural households, which rely on these remittances.

Studies carried out in Bangladesh, which shares many similarities with Cambodia, confirm that female workers in the garment industry are likely to be hard hit by the phasing out of quotas. Bhattacharya (1999) quoted projections made by the Bangladesh Ministry of Commerce in 1996 indicating that the phasing out of quotas at the end of 2004 would imply the immediate retrenchment of 180,000 female workers. More recently, Shefaly (2002) quoted a survey of the Bangladesh Garment Manufacturers and Exporters Associations indicating that the temporary slowdown of orders for garments from the United States in the aftermath of the events of 11 September 2001 resulted in the closure of 1,178 factories, with 35,000 workers left jobless. Since then, many factories are reopening. However, these findings show how employment in the garments industry is vulnerable to external shocks.

In 2003–2004, an Asian Development Bank research team<sup>15</sup> carried out a survey on garment workers in Cambodia to assess their situation, to identify the possible impact of the phasing out of quotas, and to consider options to improve the competitiveness and social status of female garments workers. The survey, conducted in 10 factories, was one of the first comprehensive attempts to examine the situation of garment workers in Cambodia. Its findings show that employment in the garment industry is the only option for poor women with low education and skills. Of the workers interviewed, 35 per cent reported unhealthy conditions due to extended working hours, lack of proper health and safety measures, and low quality of food, water and housing. One of the most important points revealed by the survey is the considerable share of their salary that female workers send back to their families in their villages (table 5). This confirms the importance of these remittances in supporting rural households. Additional findings of the survey showed that while, on average, female workers were satisfied with their jobs, many of them wanted to start their own businesses, while some wished to return to their home villages.

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<sup>15</sup> The team worked under ADB project CAM 413: Preventing Poverty and Empowering Female Garment Workers Affected by the Changing International Trade Environment.

**Table 5. Percentage of income remitted to the household, by percentage of survey respondents**

Income remitted	14	15–30	31–50	51–70	71–90	Over 90
Respondents	3	26	39	17	7	8

Source: ADB.

### 4.3. The limitations of current preferential market access for Cambodia

Market-access conditions are quite different in the United States and EU markets.<sup>16</sup> Garment exports to the EU are covered by the EBA initiative and they are granted duty-free status. In spite of these trade preferences, the utilization rate under the EBA initiative and the former preferences granted under the GSP for LDCs are close to zero. This means that in reality, at the time of customs clearance, Cambodian garments to the EU are subject to an average rate of duty of 10 per cent. Mere granting of tariff preferences or duty-free market access to exports originating from LDCs and those offered under the EBA do not automatically guarantee effective utilization.

Trade preferences have traditionally been used as a trade policy instrument to promote industrialization and accelerate economic growth. Like other trade preferences, the preferential tariffs granted to developing countries, including Cambodia, by the EU are conditional upon fulfilment of rules of origin requirements. These requirements often exceed the manufacturing capacity and industrial development level of many beneficiary countries, which is one of the main reasons for their current low rate of utilization. Rules of origin requirements, when associated with low preferential margins could discourage exporters from taking advantage of the scheme, as the cost of compliance to qualify products for preference can exceed the value of the preferential margin, making the preferential margin commercially uninteresting.

For example, with regard to Cambodian exports to the EU, existing rules of origin require local weaving and knitting of yarn into fabrics, which is

<sup>16</sup> For a complete analysis of available trade preferences to LDCs, see UNCTAD, 2003.

currently beyond its manufacturing capability, and do not allow much flexibility in the utilization of imported fabrics. If imported fabrics are used in the production of finished garments, they will lose their duty-free status since they are not considered as originating in Cambodia. There is a derogation which allows the use of imported woven fabric or yarn originating from ACP or ASEAN countries, or those from the South Asian Association for Regional Cooperation (SAARC).<sup>17</sup> However, since the main suppliers of imported cotton fabrics, China and Taiwan Province of China, are not covered by the derogation, its usefulness is limited, as demonstrated by the low utilization of EU preferences. (UNCTAD, 2003). Cambodia's dependence on imported fabrics for its garments industry is particularly pronounced, especially with regard to those two countries (Van, 2003 and Konishi, 2003). In 2001, a representative year – as sources of supply have tended to remain stable over time – China accounted for almost half the supply of fabrics to Cambodia, followed by Taiwan Province of China. In contrast, ASEAN inputs represent only 16 per cent, which leaves little scope for utilization of the derogation.

In the United States, a number of products, mainly pants and T-shirts, are currently covered by quotas. On 20 January 1999, the Governments of Cambodia and the United States entered into a three-year Trade Agreement on Textile and Apparel. The Agreement sets an export quota for garments from Cambodia to the United States, while seeking to improve working conditions and respect for basic workers' rights in Cambodia's garment sector by promoting compliance with – and effective enforcement of – Cambodia's Labour Code as well as internationally recognised core labour standards. It offers a possible 14 per cent annual increase in Cambodia's export entitlements to the United States provided the Government of Cambodia supports “The implementation of a programme to improve working conditions in the textile and apparel sector, including internationally recognised core labour standards,

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<sup>17</sup> Normally, rules of origin, in the context of autonomous or unilateral contractual preferences, must be complied with within the customs territory of a single beneficiary country. The concept of cumulative origin introduces an element of liberalization by enlarging the customs territory of a beneficiary country to the territories of other countries (e.g. materials or parts imported from other beneficiary countries are considered domestic input and not foreign input).

through the application of Cambodian labour law” (Article 10B, US-Cambodia Textile Agreement).

Following the signing of the Agreement, the Governments of Cambodia and the United States requested technical assistance from the International Labour Organization (ILO) to prepare a project proposal to support the implementation of that article of the Trade Agreement. A project, entitled ILO Garment Sector Working Conditions Improvement Project, commenced in January 2001. The United States and Cambodia agreed to extend their bilateral textile agreement for an additional three years, to 31 December 2004. The quota for most textile exports from Cambodia in 2002 was to be 15 per cent higher than in 2001, a 9-per-cent increase, in recognition of Cambodia's progress in reforming its labour conditions in textile factories over the previous three years. This was in addition to the normal increase in quotas of 6 per cent.

Beyond the bilateral quota agreement with is due to expire at end 2004, Cambodia's textile and clothing products, as with those originating in other LDCs, are excluded from United States GSP. Apart from Cambodia, other countries most affected by this are Bangladesh, which supplies almost 90 per cent of the 20 main products not covered by the scheme, and Nepal.<sup>18</sup> In recent years, the United States has started to grant trade preferences for textiles and garments under specific trade programmes such as the Andean Trade Preference Act (ATPA), the Caribbean Basin Initiative (CBI) and AGOA. Garment exports from Cambodia are subject to an average 17 per cent of MFN rate (15.5 per cent according to private sector estimates), while for certain footwear articles, which are considered very sensitive products, the figure is around 37 per cent. In the United States market, only some categories of Cambodian garments are restricted by quotas. Cambodian garment exports do not enjoy any preferential tariffs, and are subject to full MFN duties. According to figures calculated by the private sector, the import duties levied in 2002 on Cambodian exports to the United States market were equivalent to \$180 million. This figure, in terms of revenue income, is relatively small. This

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<sup>18</sup> These 20 products account for 70 per cent of the LDCs' exports not covered by the scheme.

suggests that a special access programme in the United States could be realistically pursued.

By contrast, access of textile and clothing products to Canada has significantly improved. Until the entry into force of the amendments to the Canadian GSP scheme for LDCs in January 2003, such products were excluded from the Canadian GSP. The new scheme provides for duty-free treatment for all textiles and clothing from LDCs and full cumulation among all beneficiaries of the Canadian GSP scheme. This means that textile inputs from, for instance, China and India can be used without the exported product losing origin. According to preliminary estimates, the trade effects of this new provision have been immediate, with exports of garments to Canada increasing more than sevenfold in the first nine months of 2003.

#### **4.4. Possible options**

The Cambodian Government, aid agencies, NGOs and international organizations are increasingly aware of the challenges ahead for the Cambodian garment industry and the possible social implications. Given the labour composition of the garment industry in Cambodia, it is certain that should there be closure or relocation of factories to other countries, the female workforce would be the worst affected. Various initiatives could be taken to prevent or diminish the negative impact of such an eventuality. It would be necessary to increase the competitiveness of the Cambodian garment industry if it is to survive the increasing competition within the textiles and clothing sector. This will require improving labour productivity in both the garment and non-garment sectors through training and the upgrading of skills. The specific needs of the vast majority of women workers in the sector will have to be addressed. The measures that Cambodia has taken to ensure compliance with domestic labour laws and ILO Conventions aim at avoiding social repercussions in the already fragile economic and social structure of the country.

As mentioned, the Cambodian garment industry is heavily dependent on imported fabrics and accessories, and such dependence increases lead-time and costs due to cumbersome customs procedures, poor transport infrastructure

and corruption. Relieving some of this dependence through the fostering of backward linkages may be important. Some studies envisage the possibility to establish circular knitting operations in Cambodia. Others see prospects for growing local cotton (Konishi, 2003). However, such an approach remains risky and difficult (Knappe, 2002). In addition, efforts should be made to streamline the long and complicated customs procedures and improve the regulatory framework for business transactions. The World Bank is actively engaged in this process.

Furthermore, specific steps could be undertaken by the major destination markets, namely the EU and the United States to improve market-access conditions for Cambodian garments. The United States could consider introducing a special trade programme along the lines of the AGOA. In the case of the EU, current rules of origin are clearly constraining the development of the Cambodian garments industry; amendments to such rules to allow the utilization of both cheap fabrics coming from all Asian countries, including China, and of high-price fabrics to enable entry into new niche markets, should be explored. However, these additional market-access opportunities could only be transitional; they would be short-term measures intended to ease the adjustment costs linked to the possible loss of market shares as a result of the elimination of quotas.<sup>19</sup> Under no circumstances could they adequately address the long-term competitiveness of the Cambodian garments industry and the working conditions of women in that industry.

## **5. CONCLUDING REMARKS**

The growth of the textile and clothing industries in developing countries has led to an improvement in women's welfare in these countries. However, the post-ATC phase poses a serious challenge for women in these industries, as they could be adversely affected by the ensuing adjustments. Structural changes in the textile and clothing industries may be particularly harsh for

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<sup>19</sup> Additional trade preferences for Cambodia may increase trade diversion effects from other developing countries that are expected to gain from trade liberalization of textiles and garments. However, trade diversion, given the relative limited volume of Cambodia's exports, is likely to be limited.

women workers in countries that have relied on quotas for market access of their textile and clothing products. The largely domestic-market-oriented handloom and handicraft sectors, which are important employers of women, are particularly exposed to the post-ATC challenges. Specific efforts are needed to address the needs and concerns of all the women workers, to upgrade their skills, to find new employment opportunities and to improve their working conditions.

However, the impact on women should not be used as an excuse for continuing the discriminatory and distorting international trade regimes covering textiles and clothing, but rather as a stimulus to improve market access for the products on which their livelihoods depend. In the negotiations under way in the WTO, it is important that the specific interests and concerns of women are voiced and taken into account. At the same time, existing preferential schemes should be improved and enlarged with a view to specifically benefiting women producers. Finally, increasing vigilance is needed with regard to labour conditions for women in the entire industry, as a deterioration of working conditions remains a matter of concern when competition intensifies and pressures mount to cut costs.

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## Chapter 6

# A GENDER-BASED ANALYSIS OF INTERNATIONAL TRADE IN SERVICES:

## THE EXPERIENCE OF DEVELOPING COUNTRIES<sup>1</sup>

### INTRODUCTION

There has been considerable international debate on the possible impact on women in developing countries of liberalization of trade in services, usually based on assumptions rather than on data due to the lack of gender disaggregated data from most developing countries. While there are critical gender-related issues to be considered in the ongoing trade negotiations on services, many of the issues being raised are ones that need to be addressed through domestic regulation, design of donor-funded projects, or trade promotion initiatives for services, rather than under the rubric of the General Agreement on Trade in Services (GATS). Labour market segregation by gender and wage disparities in service sector industries exist across all levels of development, independently of domestic and trade growth in services. Embedding and implementing gender-sensitive policies is an issue for all governments and needs to be made a priority in terms of domestic regulatory reform prior to further liberalization of trade in services.

In order to clarify the actual impact of international trade in services on women, this paper begins with an overview in section 1 of the potential links between liberalization of trade in services and development. Fundamental to the discussion is the central role of services in all economies, with many of the services suppliers (both business owners and workers) being women. Section 2

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<sup>1</sup> This chapter has been prepared by Dorothy I. RIDDLE, CMC, Service-Growth Consultants Inc., Vancouver, Canada, as consultant for UNCTAD. It is based on research and consultancy work on services trade in 74 developing countries, including 20 of the least developed countries (LDCs); assistance to over 3,000 women exporting services; training of over 1,000 trade development officers; facilitation of the development of services trade negotiating positions for 28 developing countries; and a review of the existing literature related to gender and trade in services.

deals with common misconceptions about the GATS itself, and highlights the need for developing-country governments to be strategic in their negotiations. Section 3 examines issues related to small service suppliers, as many service exporters are micro enterprises (especially those owned by women).

Section 4 analyses data from 12 countries at different levels of development. It concludes that there is no *a priori* reason to believe that further liberalization of trade in services will automatically be either of benefit or harm to women. Section 5 looks at the invisibility of services in general within the policy environments of most developing countries and the consequences for women. Sections 6, 7 and 8 examine the implications for women as business owners, workers and consumers respectively. Section 9 outlines biases in development programming regarding services and women entrepreneurs. Section 10 provides specific suggestions for gender-sensitive approaches to the GATS negotiations and implementation. The concluding comments in section 11 underscore the need for developing-country governments to address gender issues in their domestic regulations, market entry requirements, and requests of trading partners. Specific policy recommendations for national governments, international organizations and development agencies are provided at the end of each section.

## **1. INTERNATIONAL LIBERALIZATION OF TRADE IN SERVICES, AND DEVELOPMENT**

Many critics have expressed either scepticism that trade liberalization will assist in economic development, or confidence that it will be the salvation of developing countries by infusing much-needed capital that will, in turn, lead to job creation and wealth production. Most of this debate has centred around liberalization of trade in goods, which is premised on the gradual reduction and eventual elimination of tariffs that act as barriers to market access.

Liberalization of trade in services raises related but different issues. There are a number of characteristics of services in national economies that influence the relationship between service sector development and economic benefits for all citizens. A few of these are summarized below:

- (a) Services comprise the major economic sector in all economies, including least developed countries (LDCs). How the service sector develops bears a direct relationship to overall economic development, with growth shifting from basic utilities to transportation and communication infrastructure to specialized business services (Riddle, 1986). Table 1 below shows the growing strength of the financial and business services sector as incomes rise. This is the fastest growing portion of services trade, especially the business and professional services segment.<sup>2</sup> Unfortunately, very few governments have leveraged services as an engine of growth.

**Table 1. Services as a share of GDP, 2001**

Economies by level of development	As a per cent of total GDP	
	All services	Finance, insurance, real estate, business services
<b>Low income</b>		
Bangladesh	59.6	1.5
Maldives	84.8	2.0
Pakistan	57.5	8.7
<b>Lower middle income</b>		
Philippines	54.1	10.8
Peru	66.8	13.5
<b>Upper middle income</b>		
Korea, Republic of	60.7	17.4
Czech Republic	65.1	18.6
Mexico	74.2	19.0
Hungary	68.4	19.4
Uruguay	71.8	23.8
<b>High income</b>		
Singapore	77.5	22.8
Canada	74.8	25.6

Sources: ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*; ESCAP, *Statistical Yearbook for Asia and the Pacific 2002*; UNSO, *National Accounts Statistics 2001*.

<sup>2</sup> Between 1995 (when the GATS entered into force) and 2002, goods exports worldwide grew at an annual average rate of 3.2 per cent, while total services exports grew at an average annual rate of 4.0 per cent and “other services” exports (which include all but transportation, tourism and government services) at an average annual rate of 6.0 per cent (calculated from data in IMF (2002, 2003)).

- (b) Services such as health, education, utilities (water, electricity, gas) and culture directly affect the quality of life of a nation's citizens. Governments have the responsibility to ensure equitable access to such essential services, and to manage the consequences of commercial competition when such services are opened to foreign service providers. Even developed economies differ on how this social mandate is to be carried out: countries such as Canada and Members of the European Union (EU) have a different perspective on social safety nets or preservation of cultural heritage than does the United States.
- (c) All economic activities, including agriculture, require service inputs. The majority of services produced are sold to other businesses, both goods and service firms. Usually less than 25 per cent of service production is sold to final consumers, though that portion of the service economy is the most visible.<sup>3</sup> Part of stimulating economic growth is ensuring the availability of competitive service inputs. Research has shown that since firms in developing countries will import services that are not available locally (typically specialty services), an overemphasis on goods production to the exclusion of domestic service sector development can lead to an increased dependence on service imports (Riddle, 2001c; Riddle and Tran, 1998).
- (d) Telecommunications and Internet provision are core infrastructure services for the trade of services, regardless of the mode of supply. The structure of this industry sector is instructive as some countries' experiences show that privatization is not the only successful model (ITU, 2002). Increased competition in the market does not necessarily lead to lower prices, though it may lead to improved service quality and greater consumer choice. Monopoly providers can produce cost-competitive services and service innovation if appropriately regulated. In fact, World Bank studies indicate that an appropriate regulatory framework needs to precede any decision about possible privatization (Wallsten, 2002).

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<sup>3</sup> This estimate is based on the author's analyses of the input-output tables on intermediate and final demand for Canada, Indonesia, Malaysia, the Republic of Korea and Singapore.

- (e) All developing countries are already exporting a minimum of 40 different services to a range of export markets (Riddle, 2000a) and accounted for 28 per cent of the world's services exports in 2002.<sup>4</sup> Part of this comprises South-South trade, though a number of service suppliers are successfully exporting specialty business and professional services, as well as back-office support services, into developed market economies. Service suppliers in small States and economies, where governments dominate service provision, are especially dependent on service export markets (see table 2). In contrast, while the United States is a lead exporter of services, and hosts some of the world's largest service providing transnationals, it also has a huge domestic service economy (with the share of services being 80 per cent of GDP) and less than 10 per cent of its economy is dependent on service exports.

**Table 2. Share of services in total exports and GDP of small island States, 2001**

State	Services as % of GDP*	Services as % of exports*	Travel as % of exports	"Other services"*** as % of exports
Antigua & Barbuda	92.9	90.8	63.7	11.2
Bahamas	91.5	75.5	69.9	2.4
St. Lucia	88.6	84.9	76.1	5.5
Barbados	84.8	79.2	52.5	22.4
St. Kitts & Nevis	84.8	63.8	38.2	17.1
Grenada	83.9	64.0	39.4	19.9
Cyprus	83.8	77.4	46.3	14.8
St. Vincent & the Grenadines	83.8	70.8	42.1	21.3
Seychelles	78.3	56.8	26.7	2.4
Jamaica	74.2	56.7	36.7	8.6
Mauritius	71.6	40.7	20.6	11.5
Malta	70.9	35.6	18.6	5.9
Trinidad & Tobago	68.6	22.9	9.5	5.8

\*Most recent year for which data are published, usually 2001.

\*\*\*"Other services" include all services except transportation, travel and government services (e.g. telecommunications, finance, professional services, computer services)  
Sources: ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*; IMF, *Balance of Payments Statistics Yearbook 2002*; UNSO, *National Accounts Statistics 2001*.

<sup>4</sup> Calculated from data in IMF, 2003.

- (f) Foreign direct investment (FDI) in services has been steadily increasing to form over half the world's investment stock, and is estimated to constitute at least 75 per cent of investment flows (UNCTAD, 2003). Some economic analysts have asserted that attracting FDI is the single greatest benefit for developing countries to be derived from the liberalization of trade in services. However, this assertion is based on at least three key premises. The first is that developing countries need the capital outlays from foreign investors in order to grow. Certainly, in goods production, where market entry requires substantial capital outlay on plant and equipment, the resources of foreign investors can be extremely useful. The same can be said for service sectors in which the development or upgrading of important infrastructure is critical. But this is not necessarily true in all services, especially in those where the service is dependent primarily on human resources so that firms can set up operations with relatively little capital investment. The second premise is that foreign investors will create jobs that will continue and increase over time. Again, this is often true for the production of those goods where the cost of exit is high. But for the services for which such cost is low, as in the case of business services, many of the jobs created are "footloose," – the foreign investor can and will move operations readily to other economies where the costs of production are more attractive. The third premise is that there are critical gaps in existing services that can only be filled by foreign investment. In actual fact, virtually all services already exist in every economy, and initiatives to attract FDI may have the unintended effect of crowding out domestic suppliers, which are often women-owned service firms (Riddle, 2001c).
- (g) For goods trade, market access barriers are primarily in the form of tariffs, while for services trade, such barriers are linked to domestic legislation. Many of the potential negative consequences of increased foreign participation in domestic service economies can be mitigated by gender-sensitive and pro-poor employment, and pay equity legislation that applies equally to national and foreign service suppliers.
- (h) A critical corollary of the invisibility of services in the economic development process is the invisibility of women-owned businesses in services industries and women's overall unpaid service

contributions to the global economy.<sup>5</sup> Any disregard or undermining of service firms has a disproportionate effect on women as they show a distinct propensity to be service providers.

In many developing countries, ranging from small island economies to larger countries, service providers and exporters, many of whom are women, have flourished, despite hostile tax regimes (which impose higher taxes on services than on goods) and little or no assistance from national development programmes. Furthermore, governments sometimes provide special incentives to foreign service suppliers that may contribute to displacing existing domestic service supplier capacity.

In order to maximize development benefits from international liberalization of trade in services, the focus needs to be on strengthening the ability of developing-country governments to implement effective and gender-sensitive regulatory frameworks. Addressing service sector issues needs to be grounded in a fundamental understanding of the role of services as production inputs, their current domestic availability and the existing range of service exports. In many cases, this will require a fundamental shift in the way in which national development planning occurs, the way that donor agencies analyse economies, the conditions placed on development loans and the types of policy recommendations put forward.

### *Policy recommendations:*

- (a) Ensure that economic development organizations focus on service sector analyses in economic reviews and allocate significant funding to support business-to-business service sector development.

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<sup>5</sup> Waring (1988) was one of the first to identify and begin to quantify women's unpaid economic contributions, suggesting that global economic activity is actually at least double of what is accounted for by traditional economic statistics. UNDP's *Human Development Report 1995* estimated that global output figures would increase by 70 per cent if women's contributions were valued at market rates.

- (b) Ensure that development aid for essential services (i.e., water, health and education) is not contingent upon the adoption of a particular economic model, such as privatization.
- (c) Ensure that low-cost access to high-speed telecommunications infrastructure and the Internet is readily available in rural communities, and that there are no restrictions on the ability to cross-subsidize rural services.
- (d) Ensure that initiatives directed at attracting FDI do not crowd out local service suppliers, especially women-owned businesses.
- (e) Ensure that gender-sensitive employment and pay equity legislation is in place, and applicable to national and foreign service suppliers.

## **2. MYTHS AND REALITIES OF LIBERALIZATION OF TRADE IN SERVICES**

Many of the concerns about gender and globalization, of which liberalization of trade in services is but a part, hinge on assumptions of a decline in State sovereignty. Position papers frequently assert that the GATS will “require” governments to privatize access to basic services, such as water or health services or education, or will mandate the removal of legislation aimed at environmental sustainability.<sup>6</sup> Nothing could be further from the truth (Chanda, 2003; Riddle, 2000a; WTO, 2001). The introduction to the GATS includes a clear statement that multilateral negotiations are “aimed at promoting the interests of all participants on a mutually advantageous basis and at securing an overall balance of rights and obligations, while giving due respect to national policy objectives.”

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<sup>6</sup> There are a number of such position papers. See, for example, Abugattas and Stephenson (2002), Engender (1998a, 1998b), Gould and Joy (2000), Joeques (1995, 1999), Phoko and Madonsela (2002), Swirski and Swirski (2003), White (2001), Wichterich (2003), and Williams (2000).

The concerns being raised in international fora have been directed primarily at the structure of the GATS, and also at the negotiating posture of some developed market economies. Actually, the issues are most appropriately addressed to developing-country governments as suggestions for their policy reviews and negotiating strategies. Many of these governments have not yet made requests of trading partners, though they have that right as a WTO Member and that obligation to their economy. It is critical for them to remember that they are engaged in a negotiation process. Just because trade partners may wish for certain services to be privatized or otherwise opened up to competition, developing-country governments are not required to do so.

An underlying issue for developing-country governments is that they bring to the GATS negotiations years of experience in policy development and trade negotiations in goods that is not fully relevant, given the definitional and structural differences between the General Agreement on Tariffs and Trade (GATT) and GATS. Furthermore, there is no immediate parallel to tariff liberalization in the services field. Progressive liberalization of trade in services does *not* mean the reduction or removal of domestic regulations. The concept of progressive liberalization of trade in services is explicitly related to "... the reduction or elimination of the adverse effects on trade in services of measures as a means of providing effective market access" (GATS Article XIX, 1), where "measure" means "a law, regulation, rule, procedure, decision, administrative action" (GATS Article XXVIIIa). It does *not* require the privatization of any public service. Rather, its coverage specifically excludes services "supplied in the exercise of governmental authority" (GATS Article I, 3c), and GATS Article VIII provides specifically for monopoly service suppliers (such as government). Thus the language of trade negotiators regarding "opening markets" or "liberalizing," carried over from goods trade negotiations, can be misleading. In this respect, the GATS is an exercise in increasing the predictability of regulatory environments so that it is easier for service firms – especially the small and micro service firms – to export their services successfully.

All governments have not only the right but also the responsibility to regulate services for consumer protection. That right is guaranteed in particular to developing countries as stated in the introduction to the GATS: "Recognizing

the right of Members to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives and, given asymmetries existing with respect to the degree of development of services regulations in different countries, the particular need of development countries to exercise this right.” The GATS, if used appropriately, can provide opportunities to strengthen domestic regulatory frameworks, including the supervisory frameworks for financial and telecommunication services in particular, while benefiting from increased economic activity. For developing countries, the process of liberalization of trade in services may require the creation of regulations and the establishment of independent regulatory bodies. For example, a number of developing countries do not yet have a regulatory framework for the licensing of architects or other professionals. Before increasing market access to foreign professionals, economies need to have a regulatory framework against which to compare the credentials of those professionals. Such regulatory frameworks are also a prerequisite for launching initiatives regarding mutual recognition of professional credentials among trading partners.

The potential for undue negotiation pressure on developing countries has been addressed in GATS Article XIX(2): “The process of liberalization shall take place with due respect for national policy objectives and the level of development of individual Members, both overall and in individual sectors.” In addition, on 3 September 2003, the Special Session of the Council for Trade in Services adopted modalities for the special treatment of LDCs in the negotiations on trade in services, which are intended to ensure maximum flexibility for LDCs, with special attention to be given to sectors and modes of export of interest to them.

Of course there is concern that, while the structure may be pro-development, power imbalances in implementation may skew the results. It is still too early, and regulatory regimes of developing countries are still relatively weak. However, the recent action of Antigua and Barbuda in June 2003, requesting that a dispute settlement panel be established to review United States rules for cross-border supply of gambling and betting services, is an interesting test case

indicating that small economies are able to use the dispute settlement mechanism in regard to powerful trading partners.<sup>7</sup>

On the domestic policy front, developing-country governments need to address, through appropriate regulations, concerns about, *inter alia*, working conditions, health and safety, employment and pay equity, and then ensure that such regulations are enforced for all domestic and foreign service suppliers. In particular, laws and regulations that discriminate against women (e.g. regarding their ability to own assets, serve on boards of directors, or gain entry visas) need to be eliminated. Part of the technical cooperation that they can request under Article XXV is with regard to regulatory review, the revising or drafting of regulations in a manner consistent with the GATS, and effective implementation of regulations.

While debates on globalization have generated alarm about the development impact of the GATS, the reality is that, so far, little has changed as a result of the initial round of commitments. The GATS is, after all, a very young agreement. Since the end of the Uruguay Round in 1994, all governments have been engaged in learning about the wide range of regulations, both federal and sub-federal, that govern the provision of services and that could have an effect on the trading of those services. Initial commitments under the GATS were primarily of a “standstill” kind (i.e. confirming and guaranteeing prevailing access conditions), though some of the subsequent commitments in basic telecommunications and financial services, as well as the commitment schedules of new Members acceding to the WTO, have been more ambitious. During the current round of negotiations, WTO Members are called on to increase the number of service sectors inscribed in their GATS schedules, reconsider and remove existing limitations on market access and national treatment, and renegotiate current exemptions from most-favoured-nation (MFN) treatment.

One of the greatest contributions of the GATS to date has been the creation of a new architecture for trade obligations in services, including specification of

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<sup>7</sup> That panel was duly established in August 2003, and its findings were not yet known at the time of writing.

the modes of supply<sup>8</sup> and a framework for progressive liberalization in subsequent trade rounds. Negotiations regarding Mode 4 have suffered from the lack of awareness of most developing-country governments about their national service exporting activity. Many negotiators assume that this mode is of interest to developing countries only because of individuals who emigrate in order to take up temporary employment abroad. They overlook the fact that all developing countries have a vast number of service exporters, many of them small women-owned firms, whose personnel need to travel abroad temporarily for business purposes such as attending conferences, meeting with potential partners or customers, negotiating contracts and delivering services. These persons are employed in their home market and are not looking for employment abroad.

One of the benefits of the GATS for developing countries stems from MFN provision (Article II), which requires WTO Members not to discriminate between other WTO Members or, in other words, to extend any trade benefit they accord to one country “immediately and unconditionally” to any other WTO Member. This Article has been misconstrued to mean that governments must open all service sectors to foreign service suppliers so that they are treated in the same way as national service suppliers. This is not the case. In actual fact, MFN is a non-discriminatory provision whereby smaller or less developed economies can benefit from the concessions being made to other, larger, trading partners that would not necessarily have been granted directly to them because their markets were not of sufficient trade interest. Care needs to be taken, though, to remember that liberalizing market access on a bilateral or regional basis automatically requires participants to extend that market access to all other WTO Members (unless the provisions of Article V governing economic integration agreements apply).

If the GATS is to be effective in increasing export opportunities for women-owned service firms in developing countries, and have a positive impact for

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<sup>8</sup> These are Mode 1: Cross-border supply, where the service crosses the border; Mode 2: Consumption abroad, where the consumer crosses the border; Mode 3: Commercial presence, where the service supplier sets up a company or a representative office abroad; and Mode 4: Presence of natural persons, where the service supplier crosses the border.

women in general, the driving force will be gender sensitivity in the crafting of domestic regulatory regimes and initiatives to mainstream gender issues. Evidence indicates that growth in services, while generating foreign exchange and creating new jobs, does not necessarily bring with it benefits for women (Riddle and Springer, 1988). A recent study of women in financial services found that men continue to outnumber women four to one, and women continue to be concentrated in predominantly lower paid support positions (Catalyst, 2003). Inequities in the work burden and responsibility for family and community continue to exist at all levels of development (see table 3). The reversal of long-held social and cultural values that disadvantage women requires continued attention.

**Table 3. Gender, work burden and time allocation**

Development category	Female work time as % of male work time	Per cent of time spent on:			
		Market activities		Non-market activities	
		Females	Males	Females	Males
Developing economies	116	40	79	60	21
Urban	107	31	79	69	21
Rural	120	38	76	62	24
OECD economies	105	37	69	64	31

Source: UNDP, *Human Development Report 2003*, table 26.

### 3. TRADE IN SERVICES AND SMALL SERVICE SUPPLIERS

The vast majority of service firms in all countries are very small or micro enterprises (see sample data from Canada in table 4), and over half of them operate as a home-based business (SBDC, 2002). In contrast to goods firms that typically grow larger as they become more successful, many successful service-exporting firms stay very small. This provides them with the flexibility to adapt to the rapidly changing services trade environment. But it also presents them with resource challenges, particularly in terms of human and financial resources, and market development constraints due to low brand name recognition outside their domestic market.

**Table 4. Size categories, based on Canadian Business Registry data**

Size Category	Number of employees in the service firm	% of Canadian service firms	Cumulative per cent
Micro	Less than 5	57.0	57.0
Very small	5–9	17.8	74.8
Small	10–19	12.5	87.3
Small	20–49	8.5	95.8
Medium	50–99	2.5	98.3
Large	100+	1.7	100.0

Source: Statistics Canada, *Business Registry*, June 2000.

Small service suppliers face formidable competition in the global marketplace as a growing proportion of the largest firms in the world are service firms (see table 5). Much of the lobbying for liberalization of trade in services has come from these major service transnational corporations (TNCs) who seek more liberal and predictable access to foreign markets. Lobby groups, such as the United States Coalition of Service Industries, are comprised of leading firms in services such as banking, insurance and courier services. All countries, developed and developing alike, find it difficult to complement the lobbying initiatives by large service corporations, by organizing consultations with the vast majority of small and very small service exporters, as these firms are typically spread throughout the country and do not have the human resources to devote staff time to government consultations. This has led to an overemphasis in the negotiations on Mode 3 (Commercial presence), which is of particular interest to large service suppliers, rather than on Modes 1 and 4, which are more commonly used by small service suppliers.

**Table 5. Top 100 firms by revenue, 2002**

Country/region	Goods	Services	Total	Service firms as % of total
	No. of firms			
European Union	11	25	36	69
United States	11	24	35	69
Japan	9	11	20	55
Switzerland	1	3	4	75
Republic of Korea	1	1	2	50
China	2	0	2	-
Mexico	1	0	1	-
Total	36	64	100	64

Source: Calculated from data in *Fortune*, 14 April 2003.

In recognition of the challenges faced by small and medium-sized service enterprises, Canada has made a submission to the Council for Trade in Services regarding the importance of addressing such challenges as part of the GATS negotiations. Similar issues are being raised in the negotiations on services in the Free Trade Area of the Americas (FTAA). While gender disaggregated statistics do not exist across a range of economies on the size of women-owned firms, anecdotal evidence indicates that the number of micro and very small service firms owned by women is likely to be higher than those owned by men.

*Policy recommendations:*

- (a) Ensure that access to market information, including contact points in export markets, is timely and streamlined, with specific emphasis on including women entrepreneurs.
- (b) Seek to achieve in the current GATS negotiations agreement that access to export markets via Mode 4 will be possible through “visa-at-the-border” provision (with documentation requirements clearly stated) for temporary business entry of persons employed in the home market to attend conferences, negotiate with potential customers or partners, report to clients or deliver services.
- (c) Seek to achieve in the current GATS negotiations agreement that small service suppliers will not be required to establish a local presence or obtain a local licence in order to trade services via Mode 1.
- (d) Seek to achieve in the current GATS negotiations the removal of economic needs tests for small service suppliers.
- (e) Negotiate terms between trading partners for mutual recognition of licences, certifications or other requirements of particular interest to small service suppliers.

- (f) Engage trade and service industry associations as advocates for their small service industry members, to ensure that the issues of small service suppliers are taken into account in negotiations on trade in services.
- (g) Ensure the collection of gender disaggregated data on business size.

#### **4. GENDER AND LIBERALIZATION OF TRADE IN SERVICES**

In order to trace the impact of liberalization of trade in services, data on service exports, gross domestic product (GDP), and employment were analysed for 12 economies at four levels of economic development. The sample includes all of the developing and transitional economies for which gender disaggregated employment data were available for the reference years 1995 (when the GATS went into effect) and 2000 or 2001 (the latest year for which IMF balance-of-payments data are available).

The data on services as a per cent of exports in table 6 demonstrate that, while the share of services in GDP does generally increase as per capita income increases, the share of export earnings from services is not directly related to the level of economic development. In all 12 of the economies, services accounted for more than half of their GDP, yet several economies in each development category had less than the world average of 19.8 per cent of exports from services in 2001. A number of other small island states, with similar domestic market challenges as the Maldives, also have a large domestic service sector and a high share of service exports (see table 2). In all economies, except Bangladesh and Pakistan, over 50 per cent of employment is in service industries. The number of women employed in services is consistently higher than that the number of men, except in the low-income economies, underscoring the importance of service sector dynamics for women workers.

**Table 6. Services as a share of exports, GDP, and employment (%), 2001**

Economy	Services as a share of:			
	Exports	GDP	Employment All	Employment Women
<b>Low income</b>				
Bangladesh	11.0	59.6	30.0	14.7
Pakistan	13.8	57.5	40.0	18.7
Maldives	76.3	84.8	72.9	71.1
<b>Lower middle income</b>				
Philippines	9.2	54.1	52.1	62.7
Peru	17.3	66.8	79.0	85.1
<b>Upper Middle income</b>				
Mexico	7.4	74.2	62.6	72.4
Korea, Rep of	16.4	60.7	68.9	69.9
Czech Republic	17.5	65.1	66.3	71.4
Hungary	21.5	68.4	68.8	73.7
Uruguay	34.6	71.8	79.7	86.3
<b>High income</b>				
Canada	12.0	74.8	80.3	88.4
Singapore	17.6	77.5	80.9	83.9

Sources: ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*; ESCAP, *Statistical Yearbook for Asia and the Pacific 2002*; ILO, *Yearbook of Labour Statistics 2003*; IMF, *Balance of Payments Statistics Yearbook 2002*; UNSO, *National Accounts Statistics 2001*.

The data in table 7 shows that half the economies had higher average annual growth rates in services than for the economy as a whole, but not higher than the average for all the economies. Economies with a higher percentage of service exports (e.g. Maldives, Hungary, and Uruguay) were also likely to have high growth in domestic services industries. However, growth in service exports is not necessarily correlated with growth in services as a share of GDP, providing no support for assertions that increased trade in services will automatically stimulate service sector growth or even overall GDP growth.

**Table 7. Average annual growth of exports and GDP (%), 1995–2001**

Economy	Growth of exports of:		Growth of GDP	
	Goods	Services	Services	Total
Maldives	4.4	7.2	8.5	6.8
Hungary	13.9	6.8	13.9	14.5
Canada	5.6	5.8	3.6	3.7
Peru	4.1	4.7	2.1	2.7
Mexico	12.2	4.4	1.4	0.7
Korea, Republic of	3.3	4.4	3.7	4.9
Bangladesh	8.5	1.2	5.4	5.4
Czech Republic	7.6	0.9	0.4	1.0
Singapore	0.6	-2.1	5.5	5.1
Uruguay	-0.0	-3.0	3.4	2.3
Pakistan	1.5	-3.9	3.5	3.2
Philippines	10.2	-16.6	4.4	3.5
World total	3.0	3.3	na	na
Developing economies	5.1	3.7	na	na
Developed economies	1.8	3.1	na	na

Sources: ECLAC, *Statistical Yearbook for Latin America and the Caribbean 2002*; ESCAP, *Statistical Yearbook for Asia and the Pacific 2002*; IMF, *Balance of Payments Statistics Yearbook 2002*; UNSO, *National Accounts Statistics 2001*.

Employment data confirm that the majority of new jobs are being created in services, with growth rates for service sector employment higher than those for the economy as a whole for all economies except Pakistan (see table 8). This illustrates the general trend worldwide of job creation in services both through the growth of new service industries and the loss of jobs in goods producing sectors due to industrial restructuring. Since this trend was already in place prior to the GATS (Riddle and Springer, 1988), there is no evidence that liberalization of trade in services has had any impact on gender segregation, positive or negative.

**Table 8. Average annual growth of employment, 1995–2001**

Economy	All Industries		Service Industries	
	Total	Women	Total	Women
Maldives	5.2	9.9	9.7	18.5
Philippines	1.6	2.0	4.3	4.3
Singapore	3.1	5.3	4.3	6.9
Peru	3.8	5.1	4.2	5.2
Mexico	2.4	3.4	3.2	2.9
Korea, Rep of	0.6	1.1	2.1	2.9
Canada	2.0	2.3	2.0	2.4
Pakistan	3.2	6.2	1.9	1.8
Hungary	0.9	1.2	1.2	1.3
Czech Republic	-0.9	-1.1	0.1	0.1
Bangladesh	-1.3	-1.8	-0.7	-2.7
Uruguay	-2.4	-1.9	-1.7	-1.0

Source: ILO, *Yearbook of Labour Statistics 2003*.

The creation of jobs in services, however, does not necessarily mean that those jobs are equitable jobs for women. This may be due to increasing the skill levels of service sector jobs, with higher skilled jobs going to men. Taking information and communication technologies (ICT) data for Malaysia and India, for example, employment data indicate continued vertical segregation by gender (UNCTAD, 2002). To the extent that growth of trade in services is linked to domestic job creation, and thus to the types of jobs available for women, the fate of those women workers will be controlled more by domestic employment policy and its implementation than by trade negotiations on services.

## 5. NATIONAL POLICIES ON SERVICES IN DEVELOPING COUNTRIES

Although services account for an estimated 62 per cent of global economic activities and most of the GDP for all developing countries, very few of these countries have incorporated services into national economic development plans (Riddle, 2001b). Attention continues to be focused more on transportation infrastructure (the provision of services to move goods) than on telecommunications infrastructure (the provision of services that facilitate the trade in goods and other services). Educational programmes emphasize skills-training related to goods productions rather than the communication,

innovation and problem-solving skills needed in service sector jobs. Service firms are often taxed at a higher rate than goods producers, and do not receive the same incentives (e.g. duty-free importation of computer equipment) as manufacturers. Because women show a distinct propensity to own service firms, these biases in favour of goods production have a particularly negative consequence for women business owners.

Another bias from goods production has to do with size of firm. Goods producers typically grow in their domestic market and then begin to export when they are at least a medium-sized. Service firms, on the other hand, are never too small to export. Indeed, many micro service firms in developing countries get the majority of their revenues from export activities. But typically, with the exception of tourism, very small and micro service firms do not qualify for micro-enterprise initiatives in developing countries. Again, the inability to qualify for micro-enterprise support is likely to disproportionately affect women business owners.

Services are also absent from most national export strategies. The majority of developing- country governments remain unaware that a minimum of 40 different types of services are already being exported from their countries to a wide range of markets (Riddle, 2002). Those exporters are succeeding despite the governments' trade promotion bias, generally, towards goods exports. The vast majority of those service exporters are micro or very small service firms, often owned by women, and they face significant human and financial resource constraints.

The one service export sector that does usually receive attention in developing countries is tourism. However, benefits from tourism do not necessarily accrue to the local population unless specific initiatives are undertaken to upgrade the skills of workers, especially women, and ensure local multiplier effects through community engagement and pro-poor strategies (Fälth, 1999). For example, Namibia has a specific strategy to ensure that the poor benefit from tourism development, and Botswana has incorporated community-based natural resource management initiatives into its ecotourism strategy. Both have the potential to benefit women if gender- sensitive policy support is provided.

*Policy recommendations:*

- (a) Provide developing-country governments with model national development plans that include a priority focus on service industries, particularly women-owned service firms.
- (b) Provide developing-country governments with model export development plans that include appropriate initiatives for increasing the visibility of women service exporters, stage service-specific trade events with at least 30-per-cent participation of women business owners, and address any export market access issues that are gender specific (such as visa restrictions).
- (c) Provide developing-country governments with model frameworks for regulatory review that incorporates a gender perspective.
- (d) Ensure the collection of gender disaggregated economic data so that the impact of national initiatives on women can be measured.
- (e) Ensure that, when “trade” statistics are cited, the figures include both goods and services.
- (f) Ensure cost-efficient, high-speed access to telecommunications infrastructure and availability of Internet to all communities in a manner that is readily accessible to women, as well.
- (g) Remove any size restrictions on access to export promotion assistance, recognising that the majority of service exporters are micro or very small firms.
- (h) Review domestic legislation to ensure that all incentives provided to manufacturers apply equally to service firms, that tax regimes are equitable for services, and that appropriate legislative oversight exists for the licensing of all professional service providers so that mutual recognition of those credentials can be sought in export markets.

## 6. GENDER AND SERVICES: WOMEN AS ENTREPRENEURS

Despite the socio-cultural barriers that women face as entrepreneurs, an increasing number of women create and manage service companies. OECD (2000) estimates that between one-quarter and one-third of firms are owned by women, most of which are in service industries. In Canada, for example, 86.7 percent of women-owned businesses are in services (see Table 9). The vast majority of these firms in both developed and developing countries are micro-enterprises, operated by well-educated women who work from economic necessity and are no greater credit risk than their male counterparts (Weeks, 2001). Women-owned firms can be a major source of employment and job creation, with women-owned businesses in North America creating new jobs at four times the rate of men-owned firms and employing more persons than the Fortune 500 firms (US SBA, 2001).

**Table 9. Women's ownership of businesses in Canada, 1997**

Industry sector	Percentage of women-owned businesses by sector	Women-owned businesses as a per cent of total businesses
Agriculture, mining	10.0	25.0
Manufacturing	3.3	25.4
Services	86.6	36.7
Construction	2.9	8.8
Utilities	0.0	0.0
Transport, communication	1.8	12.2
Wholesale, retail	16.6	31.9
Finance, insurance, real estate	4.7	32.2
Business services	13.8	33.7
Community & social services	46.8	57.8
Total businesses	100.0	34.6

Source: Statistics Canada, *Business Register*, June 2000.

Perhaps one of the reasons that women entrepreneurs are all but invisible within many developing economies is the fact that national ministries of women and families typically focus on women as economically at risk –

whether as consumers of services in their role as unpaid caretakers or as underpaid workers. Little attention is paid to the challenges faced by self-employed professional women or to women running businesses. Not only does that leave such women without advocacy support, it can also result inadvertently in ignoring the critical role such women can play as role models for girls and young women.

Very little data exists on women service exporters, other than a 2000 study of Canadian women business owners (Riddle, 2000d). At the time the data was collected, e-trade in services was just beginning, and already 44 per cent of the Canadian women surveyed reported that they had begun exporting their services as soon as they set up business. Despite challenges of scarce resources and the need to balance family responsibilities with export activities, women-owned businesses appear to be as likely, or even more likely, to export their services. However, they need access to information on export markets and training on how to manage and market services.

Most developing-country small service suppliers are severely constrained in finding appropriately trained staff to design and deliver competitive services. Even in the United Kingdom (FSB, 2000; 2002) and Canada (CFIB, 2002; Mallet, 2001), small service suppliers have trouble finding appropriately skilled workers. Unfilled vacancies are especially high in construction and business services. In most instances, small service suppliers need staff with at least a secondary school education. Small service suppliers are more likely than their goods-producing counterparts to rely on the Internet (Mallet, 2001). Given the growth of e-trade, small service suppliers need staff that are comfortable working online and are willing to adapt their working hours to accommodate a 24-hour, seven-days-a-week digital environment. Women's increased access to ICT and training in their use are vitally important to service firms' success (UNCTAD, 2002).

One of the often-overlooked human resource issues is that service firms typically cannot protect their market position through patents and copyright. Instead, in order to remain competitive, service firms must continually innovate (Riddle, 2001a). The innovation process is carried out by staff – often front-line staff interacting with customers. A review of the education and

training portions of national development plans often indicates a lack of awareness on the part of both national governments and the donor community of the types of skills (e.g. communications, problem-solving, customer service, learning how to learn, computer and online skills, and services design) that are needed by service firms. This places a heavy burden on small service suppliers to train new staff in order to be competitive (CFIB, 2002; Riddle, 2000b).

One of the major challenges for women-owned service firms is the financing of growth, especially in order to exploit export markets (Commonwealth Secretariat, 2002). In developed market economies, service firms use overdrafts secured by accounts receivable as a major form of financing. In most developing countries, such terms are not available. Although central banks, when questioned, maintain that they will accept accounts receivable – rather than only physical property – as security, commercial banks have been reluctant to do so. In a context where physical assets may not be under the direct control of women, the requirement for physical collateral creates barriers for women business owners and forces them to rely on limited personal sources of finance. Liberalization of financial services has so far failed to increase credit options for small businesses, including women business owners (Gammage et al., 2002).

While liberalization of trade in services will increase export opportunities for women entrepreneurs, it will also increase the competition they face (Weeks, 1999). In order to ensure that they continue to be able to create jobs and remain profitable, they need assistance in meeting international quality standards such as ISO 9001:2000. They also need assistance in making contacts abroad, particularly through business and service industry associations and association alliances (Jalbert, 2000; Weeks, 2001). The World Association of Women Entrepreneurs (FCEM) is one such global organization, with member associations in 40 countries around the world. Other initiatives are the Commonwealth Businesswomen's Network (CBWN) and the American-African Business Women's Alliance (at: [www.aabwa.com](http://www.aabwa.com)).

Surveys of women who own service firms (Riddle, 2000d; Weeks, 2001) and projects with women entrepreneurs in Nigeria, Mauritius and Mozambique show consistently that these women tend to be well-educated and to provide

skilled services such as health services, legal services, architecture and engineering services, consultancy and training services. This means that their ability to export will be constrained by any barriers to temporary business travel (Mode 4), requirements to establish a local presence rather than trade cross-border (Mode 1), or limitations on mutual recognition of professional credentials and licences. In particular, restrictions to Mode-4 trade remain pervasive in developed countries.

*Policy recommendations:*

- (a) Publicize the success stories and innovations of women-owned service firms.
- (b) Organize “meet and greet” events between women entrepreneurs and representatives of foreign firms or foreign governments in local markets.
- (c) Link women-owned businesses to local foreign-owned businesses and offices, to facilitate Mode 2 trade in services.
- (d) Facilitate online networking among women entrepreneurs in different markets.
- (e) Ensure that women-owned firms are able to work as subcontractors on foreign-financed projects.
- (f) Set standards for the participation of women entrepreneurs (e.g. at least 40 per cent of participants) in all trade-related activities such as outgoing missions, trade-related workshops, meetings with incoming missions.
- (g) Increase women entrepreneurs’ participation and visibility at local and international conferences and trade events.
- (h) Work with financial institutions to ensure access to financing by women owners of service businesses.
- (i) Ensure that funding is available to help underwrite the costs of travel to foreign conferences.

- (j) Provide skills training and mentoring on how to manage and market a service business to women owners of service businesses utilizing the training curriculum, *Managing Professional Services for Global Competitiveness*, developed by the International Trade Centre UNCTAD/WTO.
- (k) Provide support for women-owned service businesses to become registered to ISO 9001:2000, using the ISO 9001:2000 workbook (Riddle, 2004) published by the International Trade Centre UNCTAD/WTO.
- (l) Support an increase in the number of women presidents of industry associations so that they are in a position to influence trade links with other markets.
- (m) Get women owners of service businesses and women professionals registered in the appropriate online databases.
- (n) Hot-link the websites of women owners of service business and their associations to national websites.
- (o) Make removal of barriers to trade via Modes 1 and 4, and mutual recognition of professional credentials and licences, a negotiating priority.

## 7. GENDER AND SERVICES: WOMEN AS WORKERS

Service industries constitute the primary source of current and new jobs for women, which means that the employment consequences of liberalization of trade in services are of great interest and concern. Women continue to be overrepresented in lower wage, part-time, and temporary employment, and underrepresented in management and other high-skill positions. This continued bias towards males in management positions (vertical segregation) persists despite recent research demonstrating that Fortune 500 companies with a higher representation of women in senior management had a 35-per-cent higher return on earnings and a 34-per-cent higher total return to shareholders than did those with fewer women in senior management positions (Catalyst, 2004). Arguments that gender discrepancies are due to lower education or skill

levels on the part of women are specious. While access to basic education for females is still an issue, in a number of economies women are, on average, better educated than men and well represented in professional and technical occupations; however, they continue to earn less than their male counterparts (see table 10).

**Table 10. Gender inequality in education and in the work force, 2001**

Selected economies	GDI* rank	Female adult literacy rate (%)	Percentage of female professional & technical workers	Ratio of females to males		
				Earned income	Secondary enrolment	Tertiary enrolment
Canada	8	99.0	53	0.63	1.01	1.33
Singapore	28	88.7	43	0.50	na	na
Korea, Rep of	30	96.6	34	0.46	1.00	0.59
Czech Republic	32	99.0	53	0.55	na	1.96
Hungary	38	99.2	61	0.58	1.01	1.27
Uruguay	40	97.2	52	0.52	1.11	1.83
Mexico	55	89.5	40	0.38	1.08	0.96
Peru	82	85.7	44	0.26	0.98	0.34
Philippines	85	95.0	62	0.59	1.18	1.10
Maldives	86	96.9	40	na	1.13	na
Bangladesh	139	30.8	25	0.56	1.05	0.55
Pakistan	144	28.8	26	0.32	**	na

\*Gender-Related Development Index.

\*\*Pakistan's data gives only the ratio of females to males enrolled in primary school, which is 0.74. For all other countries, this ratio is 1.00 or higher.

Source: UNDP, *Human Development Report 2003*.

Disparities in wages and unpaid work obligations, combined with the rising number of women heads of household, are resulting in women being at higher risk of becoming poor. In addition, they are more likely than their male counterparts to be working without benefits such as health insurance or paid vacation time (Gammage et al., 2002). Some of the employment created for women is from foreign investors that set up service operations such as data processing operations and call centres in order to take advantage of lower labour costs. Unless these operations are covered by national employment legislation and specific codes of conduct (Riddle, 2000c), the possibility exists

for the clustering of women in lower skilled jobs, abuse through the requirement of long work hours, work at night or on weekends, non-ergonomic work conditions, and a lack of equal pay for equivalent work.

The primary exception to this scenario in many developing countries is government employment, where anti-discrimination policies have meant that women are more likely to be well compensated with appropriate benefits including parental leave. This makes the continuation of public sector employment of great relevance to women, and is one of the counter arguments to privatization of public services in developing countries (Swirski and Swirski, 2003). If public services are contracted out, the negative employment impact is likely to be felt by women the most (Gammage et al., 2002).

There is an aspect to service sector work when it is interactive that makes the government's role in instituting employment standards legislation particularly important. Services that require "good customer service" (i.e. all front-line service sector jobs) involve "emotional labour" or the requirement that the employee display a certain appearance, demeanour and emotion (Hochschild, 1983; Taylor and Tyler, 2000). Societies' tendency to gender-type various emotions (e.g. the welcoming emotions of receptionists being considered more "female" and the "stern" emotions of debt collectors more "male") contributes to the concentration of women in certain lower paid service jobs. One of the roles of legislation on employment conditions is to ensure balance to the stress of continually acting a public part through paid vacation, paid holidays, paid overtime (with limits on the hours worked) and paid training days. Such legislation needs to apply to all workers, regardless of the number of hours worked, as long as the worker has been employed for a minimum amount of time (e.g. 30 days).

In a number of developing countries disruptions of families occur due to women needing to emigrate in order to find adequate employment (Ehrenreich and Hochschild, 2002). This can involve a significant brain drain of women professionals (especially doctors, nurses and teachers) who are recruited to work abroad. In the case of nurses, migration is a common feature of the profession, with exports or imports of these workers actually forming part of countries' planning (Eisenring, 1999). The flows can be quite complex. For

example, the United Kingdom exports nurses to the United States and imports them from India and the Philippines, while Jamaica exports nurses to the United States and imports others from Myanmar and Nigeria (UNCTAD, 1998). For developing countries, this implies not only a loss of skills but also the loss of training funds used to train the skilled personnel who then leave the country. Given the global structure of the nursing and midwife industries, in particular, the likelihood of active recruitment in developing countries is high. Developing-country governments could consider imposing a recruitment tax on the recruiters, to be used to fund the national training programmes, or ethical codes of conduct for recruiting firms (UNCTAD, 2001).

Emigrating by choice in order to obtain new work experiences or training is one thing; forced emigration out of economic necessity is another, and can be detrimental to the woman worker, her family and society at large. Information and communication technologies now provide alternative solutions. For example, by establishing an emergency triage call centre, with international clients, nurses could remain in their own country with interesting work and good compensation, in a context where additional jobs (to support the call centre) are also being created. Similar opportunities exist in tele-pathology and tele-radiology (Chanda, 2002). Alternatively, women workers can be employed by a government agency responsible for the terms of their employment, including benefits, and then contracted out abroad (in the case of domestic workers) or sent abroad for paid sabbaticals (in the case of teachers or nurses).

#### *Policy recommendations:*

- (a) Implement employment and equal-pay legislation, binding on foreign and domestic service suppliers, that includes benefits for part-time as well as full-time workers, including healthy working conditions, pay equity and childcare provision.
- (b) Implement performance requirements for foreign service suppliers wishing to invest, specifying the requirement that they contract out some support services to women-owned businesses and set quotas for women to be trained for management positions.

- (c) Give priority to the creation of locally owned back-office operations in cases where services can be provided at a distance (electronically or by telephone) in order to generate jobs for women who might otherwise emigrate.
- (d) Where services must be provided in person abroad, establish government or private sector agencies that employ women (and provide benefits and oversight against abuse) to be hired abroad.

## **8. GENDER AND SERVICES: WOMEN AS CONSUMERS**

There are some general issues associated with liberalization of trade in services that concern consumers: increased competition from liberalization can result in lower prices, more choices, better quality service and the availability of specialty services, as long as the regulatory framework protects consumer interests. The World Bank's *World Development Report 2004* has pointed out a series of different policy options for helping to ensure universal and equitable access, along with the challenges governments face in that regard (World Bank, 2003). Women are potentially affected as consumers more than men by liberalization of trade in services because, in most economies, they are expected to assume a disproportionate share of family- and community-support responsibilities. If costs decline and availability increases, women have the opportunity to purchase services that they might otherwise provide (e.g. hauling water and laundry) and to spend less time in acquiring the goods needed for family welfare (e.g. grocery shopping). As discretionary family income expands, so do opportunities for girls and women in terms of education, access to health care and employment options. Thus women have the potential to gain more leisure time and a better quality of life for themselves and their families.

On the other hand, developing-country governments could have or introduce policies that adversely affect women as consumers. For example, they could privatize the provision of essential services without addressing equitable access concerns or ensuring a single-tier delivery system. Women are more likely to suffer if essential services are reduced, resulting in more expensive

water (due to privatization), less accessible health care (due to concentration in urban areas), or higher fees for primary and secondary school education. If prices for essential services rise and family resources decline in relation to the cost of services available, women typically compensate in several ways. First, they begin to produce the services themselves, wherever possible, in order to reduce the economic cost to the family (at a cost to themselves) such as provision of care for the elderly. Second, they may reduce family expenses by limiting their own consumption, whether of food or other essentials. Third, they may make up the shortfall by depriving themselves and the young females in their family of educational or health services in order to both save money and redirect their time to earning money.

Of primary concern in the debate surrounding gender and the GATS is access to essential services. So far, documented negative consequences have come not from the GATS, but rather from the terms and conditions of IMF/World Bank structural adjustment programmes. Such programmes raise the cost of key essential services through mandated cost recovery for previously free services (e.g. education and health care), a reduction in public services, and/or the removal of cross-subsidization of services such as utilities or telecommunications (Chanda, 2003).

Another type of negative impact could flow specifically from liberalization of financial markets without proper prudential regulation and supervision. Any resulting destabilization would likely lead to an economic crisis, during which women are more likely than men to lose their jobs (Gammage et al., 2002; Van Staveren, 2000). Again, women would be likely to compensate by increasing their unpaid hours of work and the range of services they themselves produce.

Developing-country governments need to be particularly vigilant about their regulatory framework and specify carefully the conditions of universal service to be met by all suppliers. Liberalization of trade in services will not create problems for women if a gender-sensitive policy framework is in place, but it can exacerbate any existing gender disparities without such a policy framework.

*Policy recommendations:*

- (a) Legislate levels of universal service to be met by all service suppliers, national and foreign, with particular attention to the needs of women.
- (b) Safeguard the ability of governments to cross-subsidize the provision of services in rural areas.
- (c) Ensure that environmental protection and sustainability are enshrined in national legislation, that applies to all companies, national and foreign.

**9. DEVELOPMENT PROGRAMMING AND WOMEN ENTREPRENEURS**

An argument could be made that, at present, development assistance programmes do not really provide much assistance to women active in trade in services. This is mainly because virtually all assistance programmes share four inaccurate assumptions: (a) women are primarily workers, rather than entrepreneurs; (b) the major opportunities for women entrepreneurs are in goods production, such as agriculture and handicrafts, or tourism; (c) opportunities for women are primarily within their own community rather than global; and (d) business support services – such as market research or training – do not currently exist and must be supplied through donor programmes.

Available data indicate that women head the majority of the new companies formed in developed economies, and these companies generate three out of four of the new jobs (Bank of Montreal, 1995). Observation of developing economies shows a similar entrepreneurial spirit on the part of many women, especially poorer women who often piece together a series of micro service ventures in order to support their families. However, much of this activity remains invisible as viable or potentially viable businesses.

Even recent gender assessments of development projects exhibit the same biases about what is possible for women in developing countries.<sup>9</sup> This kind of development approach will have the unintended impact of further marginalizing women, since it does not support them in taking advantage of the fastest growing economic sectors, namely business services (see “other services” in table 11). Few development programmes can be cited that focus on regional or global opportunities in services for women. For example, initiatives to set up telecentres in developing countries are focused on local markets (UNCTAD, 2002), but that model and expertise could easily be formalized and franchised into surrounding markets, creating an export opportunity.

**Table 11. Exports of goods and services, 1995–2001**

Type of exporting economy	Type of export			
	Goods	Services total	Travel	Other services
Per cent of total exports (2001)				
Developing economies	84.2	15.8	5.7	5.5
OECD economies	78.1	21.9	6.1	10.2
Total	80.2	19.8	6.0	8.6
Average annual growth rate (1995–2001)				
Developing economies	5.1	3.7	4.4	3.7
OECD economies	1.8	3.1	1.5	5.3
Total	3.0	3.3	2.5	4.9

Source: IMF, *Balance of Payments Statistics Yearbook 2002*.

Assumptions about the lack of services in developing countries are so ingrained that donors continue to create subsidized competition for local service providers through the NGOs that they fund. The most common areas in which this occurs are training services, business development services, market services, and marketing and promotion (Riddle, 2001c). Ironically, the

<sup>9</sup> See, for example, the publicly available assessment by DevTech Systems Inc.: *A gender assessment for USAID/Morocco in preparation for its country strategic plan: 2004-2008*, which does not mention opportunities for women in service exports, though there is at least one Moroccan woman lawyer exporting legal services.

unintended impact of such competition is to force local service providers (often women) into exporting of services, as they must turn to the foreign investor community for potential customers.

*Policy recommendations:*

- (a) Review development assistance programmes for women to ensure that at least half of the funding for economic initiatives targets service sector opportunities in high growth services.
- (b) Ensure that development assistance programmes focusing on women entrepreneurship dedicate at least 30 per cent of the programme resources to entrepreneurial activities in services that have an export focus.
- (c) Ensure that development assistance programmes survey and utilize existing local business support service suppliers (especially women-owned service firms), with the funding or subsidization of competing business support services being a last resort.
- (d) Ensure that intergovernmental agencies such as the United Nations Development Programme (UNDP) with local offices in developing countries contract out at least 30 per cent of their support services to local women-owned businesses to help strengthen domestic capacity.

## **10. GENDER ISSUES IN THE GATS NEGOTIATIONS**

One of the challenges in approaching the GATS negotiations is that there are so many governmental stakeholders that need to be involved. Table 12 provides a listing of such stakeholders, noting the need to involve the Ministry of Women and Families as well. Table 13 provides a summary of the gender issues related to international trade in services, with an indication of the manner in which each would need to be addressed.

**Table 12. Examples of government agencies or governmental authorities responsible for services**

Service sector or cross-sector issue	Responsible parties	
	Government agency	Responsibilities that may have been externalized
Business services	Ministry of Industry Ministry of Agriculture Ministry of Fisheries Ministry of Forestry Ministry of Mining Ministry of Justice	Real Estate Board Professional Licensing Registrar Government Printer National Research Council
Communication services	Ministry of Communications Ministry of Industry Ministry of Culture	Internet Service Suppliers Telecommunications Regulator Postal Service National Film Board National News Service
Construction and related engineering services	Ministry of Public Works Ministry of Industry	Housing Authority Planning & Zoning Authority
Distribution services	Ministry of Industry Customs Authority	
Educational services	Ministry of Education Ministry of Industry	
Environmental services	Ministry of the Environment Ministry of Industry	Waste Disposal Authority Recycling Authority
Financial services	Ministry of Finance Central Bank Insurance Registrar Securities Regulator	Securities Exchange/Stock Market
Health-related and social services	Ministry of Health Ministry of Social Welfare Ministry of Women & Families	Natural Disaster Agency Infectious Disease Authority Vocational Rehabilitation
Recreational, cultural and sporting services	Ministry of Culture Ministry of Sports Parks Authority Recreation Centres	National Museum National Library Council for the Arts
Tourism and travel-	Ministry of Tourism	

Service sector or cross-sector issue	Responsible parties	
	Government agency	Responsibilities that may have been externalized
related services	Parks Authority	
Transport services	Ministry of Transportation Vehicle Licensing	Port Authority Airport Authority
Other services	Utilities Regulator	Public utilities (water, gas, electricity)
Cross-sector: modes of supply & e-trade	Immigration Authority Investment Authority Export Development Authority Company Registry Land Title Registry Ministry of Trade	
Cross-sector: standards & professional credentials	Standards Agency Employment Standards Worker's Compensation Board Licensing & Work Permits Ministry of Trade	
Cross-sector: coordination among levels of government	Ministry of Trade	
Cross-sector: economic and labour force development	Human Resource Development Human Rights Commission Micro-Enterprises Taxation Authority Planning & Zoning Authority Ministry of Labour Ministry of Women & Families	

In order to meet national development objectives related to gender equity effectively, developing-country governments need to make full use of their

right to make requests of their trading partners on behalf of their private sector (especially SMEs), and they may consider embedding specific gender-related targets into performance requirements for foreign service suppliers (e.g. in the area of management and training). The following are specific areas for governments to consider, both in terms of implementation of the GATS and in terms of the request-and-offer process of trade negotiations in services.

### *Recommendations concerning GATS implementation:*

#### Article I (3c): Scope and Definition

The interpretation of this clause as allowing governments to protect their rights to ensure equitable access to essential services needs to be reaffirmed so as to eliminate any lingering doubt in this area.

#### Article IV (2): Increasing Participation of Developing Countries

The contact points provided for in Article IV need to be able to provide information relevant to women exporters, such as information on women business networks through which they may be able to locate local partners or potential customers, government procurement opportunities that are designated for minority owned firms, or existing legislation that has a gender component.

#### Article VI: Domestic Regulation

Developing-country governments need to ensure that the “objective and transparent criteria” cited do not detract from gender-sensitive public policy and that the provision, “not more burdensome than necessary to ensure the quality of the service”, is not interpreted in a manner that would deprive developing countries of their right to meet national policy objectives, including in the area of gender equality, and that it strengthens their domestic service capacity.

#### Article VII: Recognition

Developing-country governments wishing to encourage temporary employment abroad of their professionals (such as

nurses) need to ensure that the recruiting market indeed recognises those professionals' credentials.

#### Article XV: Subsidies

As talks continue on an approach to subsidies in services, developing-country governments need to make sure that their rights to use subsidies to meet national policy objectives are protected in a manner that is not burdensome from a scheduling perspective.

#### Article XXV: Technical Cooperation

Developing-country governments could request the inclusion of gender-sensitive performance criteria for technical assistance, such as requiring that technical assistance include women-specific activities and events, and that government-sponsored trade events intended to assist developing country service exporters recruit a minimum of 30 per cent women participants.

#### *Recommendations concerning GATS scheduling requests:*

Mode 1: Given the large proportion of small women-owned service firms, ensure that cross-border supply of services can take place without the need for a local presence.

Mode 4: Ensure temporary business entry for women owners of service businesses and women professionals to at least the top five export markets.

#### *Recommendations concerning GATS scheduling offers:*

#### Article XVI: Market Access

Before further liberalization of market access, ensure that the following performance conditions are legislated for all domestic and foreign service suppliers over a stated employee size: on-the-job training for women, the development of women managers, provision of child care, safe transport for women working off-hours, and using women-owned service businesses as suppliers.

Mode 3: Ensure that FDI does not crowd out local service suppliers, by studying existing domestic supply and ensuring adequate employment legislation with which both domestic and foreign service suppliers must comply.

## **11. CONCLUSION**

One of the fundamental issues in the trade liberalization debate is whether or not the focus on trade liberalization is diverting attention and resources from critical development issues, especially those that affect women. In the case of services, the opposite could be said. The GATS negotiation process is finally focusing attention on an overlooked and misunderstood area of developing economies and one where women are major players. The GATS negotiation process provides a context for regulatory review and reform, and for linking economic development to service sector growth initiatives. It highlights the need for employment and pay equity legislation – applicable to national and foreign firms alike – and challenges national planning agencies to think creatively about how to stem the brain drain through nurturing nationally owned service enterprises.

In summary, the impact of liberalization of trade in services on women will be determined by how effectively developing-country governments regulate their service industries, make appropriate requests of trading partners and manage market access conditions. It is already clear that any growth in services, whether domestic or through trade, will not in itself ensure equity or an improved quality of life for girls and women. There is also nothing in the GATS that would necessarily further marginalize women. However, with regulatory reform, the GATS provides the opportunity to address gender issues in a manner that could improve women's access to economic independence and export opportunities.

**Table 13. Addressing gender issues related to the liberalization of trade in services**

Issues	Issues to be addressed through:						
	Domestic policy reform	Donor assistance	Ministry of women & families	National planning agency	Trade promotion office	GATS requests	GATS offers
<i>Gender issues:</i>							
Social & cultural values & expectations	✓	✓	✓				
Able to own assets in own name	✓		✓			✓	
Able to serve on boards of directors	✓		✓			✓	
Able to obtain work permits & visas			✓			✓	
Access to education	✓		✓				
Access to management positions	✓		✓				✓
Gender disaggregated statistics	✓	✓	✓	✓			
<i>Quality-of-life issues:</i>							
Universal access to potable water	✓						✓
Universal access to health care services	✓						✓
Universal access to education	✓						✓
Employment available	✓			✓			✓
Conditions of employment monitored	✓		✓				
Employment & pay equity	✓		✓				✓
Cessation of violence against women	✓		✓				
<i>Women's businesses as small service suppliers:</i>							
No local presence for Mode 1						✓	
Access to financing	✓		✓	✓			
No competition from government	✓	✓		✓			
No competition from donor-funded services		✓					
No direct competition from investors	✓						
Create global credibility					✓		
Access to services-specific trade support					✓		
Services as a part of export development plans	✓	✓		✓	✓		

Issues	Issues to be addressed through:						
	Domestic policy reform	Donor assistance	Ministry of women & families	National planning agency	Trade promotion office	GATS requests	GATS offers
High speed, low-cost phone & Internet	✓			✓			✓
Able to supply foreign investors (local content)	✓	✓		✓	✓		✓
<i>Women's businesses as service suppliers:</i>							
Mutual recognition of credentials	✓	✓		✓		✓	
Temporary business entry to export markets						✓	
Same incentives as manufacturers	✓			✓			
Women's business associations and networks			✓		✓		

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## Chapter 7

# TRADE IN SERVICES, GENDER AND DEVELOPMENT:

## A TALE OF TWO MODES<sup>1</sup>

### INTRODUCTION

The role of women in the services sector of developing countries has been prominent and is expanding rapidly. Women are active in retail and distribution services, hospitality, health, education, professional, business and social services. Public or government services have traditionally provided an important avenue for women's participation in the services sector. More recently, with the increased privatization and liberalization of the services sector in many developing countries – resulting from autonomous efforts as well as through structural adjustment programmes and implementation of the General Agreement on Trade in Services (GATS) – women have taken advantage of the growing employment and entrepreneurial opportunities in the private services sector.

Women's participation in developing-country trade in services has been growing steadily, in many cases mirroring the feminization of many light manufacturing export sectors. There are of course inter-country differences; in 1999 the proportion of women employed in services ranged from 35 per cent in Egypt and 39 per cent in Argentina to 54 per cent in Bangladesh and 56 per cent in Kenya (World Bank, 2003a). These differences reflect variations in national development conditions and skill levels as well as socio-cultural and regional factors. They may also be due to the widely varying fertility rates among developing countries that limit women's availability for employment in some countries. Often significant differences in the size of the services sector, relative to the commodities and manufacturing sectors, influence relative wages and women's selection of

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<sup>1</sup> This chapter has been prepared by Lakshmi PURI, UNCTAD, Geneva.

employment options. The share of service activities within commodities and manufacturing sectors may also have an influence.

There are two modes of services delivery – Mode 1 and Mode 4 – which have become the main vehicles for greater participation by women in developing countries' exports of services. Mode 1 involves cross-border trade in services, most commonly through the use of information and communications (ICT) technology; and Mode 4 involves the temporary movement of service suppliers of one country to supply services in the territory of another country. Women also have a strong interest in Mode 2, which involves the movement of consumers from one country to another to avail of the services there. Mode 2 is particularly relevant in the tourism and health services sectors, which have for various reasons been largely feminized for some time. Mode 3, the establishment of a commercial presence in another country for the supply of services, is not used much by women as it involves the deployment of capital and risk-taking in foreign markets, for which women entrepreneurs are not generally equipped, often due to their limited access to financial resources. However, women do benefit from the establishment of the commercial presence of foreign firms in many developing countries, especially in the financial and commercial service sectors. Depending on the sector, type of services supplied, origin and destination countries and markets, there are cross-modal and cross-sectoral linkages that also affect the level of women's participation in trade in international services.

This paper focuses on Modes 1 and 4 – the two modes of service delivery that have a proven track record of contributing to the increased participation of women from developing countries in trade in international services. Both modes enable the opening up of new and dynamic areas for developing-country exports that can provide significant immediate yet durable development benefits. Gender-specific benefits from women's participation in international services trade based on these two modes of delivery can be clearly identified. Many of them accrue to women as part of wider development gains in their home countries, stimulated by increased services exports through Modes 1 and 4.

At the same time, a comparison of Modes 1 and 4 services delivery by women in developing countries represents a study in contrast. In the case of Mode 4 delivery, it is women's ability to work in foreign countries that presents opportunities – sometimes the only opportunity for gainful employment – enabling them to utilize their comparative advantages to provide *in-situ* services in world markets where demand is greatest. In contrast, in the case of Mode 1 delivery, it is women's ability to work in cost-efficient, ICT-enabled services – such as back-office processing and telephone call centres – without physically moving from their home countries, that gives them a competitive edge.

Despite this fundamental contrast between Modes 1 and 4, there are cross-modal linkages; many of the services provided under these two modes can take place in either mode, and trade under one mode can stimulate trade under the other. Market-access barriers to Mode 4 affect the development of Mode 1 trade and the execution of some types of outsourcing contracts, especially those with higher value added. For instance, it has been observed that when there are barriers to Mode 4-enabled services supplied by developing countries, there is a tendency for companies in developed-country markets to resort to greater use of outsourcing and offshoring through Mode 1. As has been noted, if people (cost- and quality-competitive workers) are not allowed to go to business, “business will go to the people.” In addition, there may be strong elements of Mode 4-related movements involved in the supply of services under Mode 1. For example, successful on-site provision of services and an established reputation help in securing offshore contracts.

International market forces are moving positively, far ahead of formal, legal, intergovernmental commitments and rules, and distinguishing between the two modes of services supply – Modes 4 and 1 – and others. For example, in the United States, official records indicate the number of foreign-national temporary workers – including temporary workers, exchange visitors, and intra-company transferees – admitted to the United States in 2002 was 1.3 million (US-OIS, 2003). Of these workers, 370,000 were admitted as specialty workers, a number far outstripping the quota of 65,000 per year specified in United States multilateral commitments under

the General Agreement on Trade in Services (GATS) (WTO, 1994). Certainly, there are even more undocumented workers. At the same time, global business is moving far ahead in exploring the competitive advantages that outsourcing and offshoring of IT-enabled services provide. There is obviously a need to upgrade the quality and quantity of multilateral commitments in both of these modes in the context of the GATS negotiations to enable them to respond to market forces.

Modes 1 and 4, although delivered in different ways, are both based on the leveraging of cost- and quality-competitive labour. Liberalization of these modes in the international trading system, which would redress the current asymmetries that restrict the mobility and use of the labour factor of production, would enhance global efficiency and welfare. It would also bring tremendous development dividends that reduce poverty and lift millions of people above the poverty line. It has been found that women employed under both Modes 4 and 1, are not only able to support their families, but also provide employment to others to assist with domestic work and childcare, and indirectly their increased collective spending on consumer goods provides new employment opportunities in national and local economies (Jhabvala, 2003). This trickle-down multiplier effect on employment at different levels is an important developmental benefit characterizing women's engagement in Modes 1 and 4 services trade. Gains from the liberalization of these two modes could thus make a significant contribution to the achievement of the Millennium Development Goals (MDGs), especially through the promotion of poverty reduction and gender equity.

## **1. THE IMPORTANCE OF MODE 4 IN TRADE AND DEVELOPMENT**

### **1.1. Definition and scope**

There is a broad definition of the movement of natural persons in GATS, which covers all occupations, skill levels and qualification levels. It can cover foreigners, who are employed by a foreign company established abroad, or which is supplying services under contract without a permanent

presence, and it does not exclude employment of foreigners in domestic companies. Mode 4 involves movement of natural persons where companies are suppliers of services or where individuals are supplying services directly. It includes:

- Self-employed or independent service suppliers;
- Employees of a foreign company who are sent to fulfil a contract with a host- country client (contractual suppliers);
- Foreign nationals employed by a host-country company, which can be foreign or national;
- Employees of a foreign company established in the host country (intra-corporate transferees); and
- Business visitors.

Women usually provide services under Mode 4 in categories other than business visitors and intra-corporate transfers.

## **1.2. Sectors**

The sectors in which Mode 4-related service supplies by women are undertaken are mostly labour-intensive services that require proximity between providers and consumers and make use of the natural comparative advantage that women seem to have in these sectors. Women are predominant in care services in the broadest sense (e.g. caring services for the children and the aged and domestic services) and they are also active as doctors, nurses and health workers (health service providers), teachers (educational service providers), and social service workers. Jobs requiring meticulous handling and patience, such as those in horticultural and agricultural services have also lent themselves to feminization. Women are increasingly entering ICT and other business services sectors as well as professional services sectors such as accountancy, engineering and management, but their participation is still limited, though growing.

### **1.3. Trends**

Gender-specific statistics on Mode 4 suffer from the same methodological and practical difficulties as Mode 4 statistics themselves and services statistics more generally. Nevertheless, some countries and sector-specific patterns can be observed and cited. Although only limited compilations of gender-specific data exist, examples suggest significant employment of women through Mode 4. In Sri Lanka, where some 12 per cent of the total labour force works outside the country, the estimated stock of Sri Lankan overseas contract workers was 970,000 workers in 2002, of which 70 per cent were women (SL-BFE, 2004). In many least developed countries (LDCs) as well, statistics indicate a considerable movement of women abroad for employment, particularly low- skilled workers. It is estimated that about 11,000 women leave Bangladesh each year for temporary work abroad (SAT, 2002); however, in contrast to Sri Lanka, men make up the majority of expatriate Bangladeshi workers.

Where gender-specific data are not readily available, sectoral data for domestic services and personal, education and health services – for which the majority of workers are females – also suggest important participation of women as service providers abroad. For some South Asian countries and the Philippines, domestic service and personal care providers, as well as nurses, account for a very large proportion of temporary migrant workers. The Philippines alone has about 10 per cent of its total labour force working abroad. There were huge outflows of Philippine nurses to the United States during the 1980s, and an average of 5,700 nurses moved abroad for work annually between 1995 and 2001 (DOLE, 2001), primarily to the United Kingdom and Saudi Arabia (Buchan, Parkin and Sochalski, 2003). Of 26,500 foreign nurse applications for United States-registered nurse licences between 1997 and 2000, 36 per cent were from Philippine trained nurses (Buchan et al., 2003).

Remittance data indicate that China, Jordan and Yemen have also been active exporters of services (World Bank, 2003b). From India too, apart from the caring services, including educational, there is a growing ICT-related Mode 4 movement involving provision of on-site services in foreign countries. Some prominent IT companies such as Infosys of India are trying

to ensure that women service providers are involved in up to 40 per cent of their foreign on-site work (Aggarwal, 2003). Remittance data also indicate important caring-services exports from countries in Africa and Latin America and the Caribbean (World Bank, 2003b). In Africa, Algeria, Egypt, Ethiopia, Ghana, Malawi, Morocco, Nigeria, Senegal, Uganda, Yemen and Zimbabwe are involved in the export of caring services with some element of feminization. In Latin America and the Caribbean, Brazil, Colombia, El Salvador, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua and Peru benefit from significant Mode 4 exports of caring services.

#### **1.4. Sources and destinations**

Developed countries, with their large markets and relatively high salaries, continue to be the main destinations of service providers, and developing countries their principal source. The major sector associated with this South-to-North movement involves care services. South-to-South movements are also significant, especially amongst neighbouring countries, and are often under-recorded. These South-South movements – for example, between South Asia and West Asia – are on account of income differences and labour-market pulls and pressures. They are also due to the fact that women earn more in some countries than in others. Often, when skill gaps occur in one developing country, workers from other developing countries seek to fill them. For example, the export of nurses and doctors from Jamaica has resulted in an inflow of health service providers from Cuba, Myanmar and Nigeria.

There are a number of push and pull factors – economic, social, demographic, historical and political – in the global services trade that operate across Africa, Asia and Latin America. They affect large and small countries, LDCs and Small Island Developing Countries (SIDS) and cut across all levels of development. Specific catalytic factors contributing to Mode 4 movements of women abroad include foreign demand, proactive policies in the home market, growth of fee-charging entrepreneurs and middle-men and a social network among those already working abroad. Different factor endowments across countries contribute to the need for the

exchange of skills, as well as relative labour shortages. For example, in some high-income countries in the Middle East, foreign Mode 4 workers are needed to fill jobs in health, hospitality and domestic-care services in which there are national labour shortages.

### **1.5. Remittances**

Remittances are one of the main ways in which both the extent and benefits of Mode 4 movement can be measured. Though much work remains to be done to obtain gender-specific data on remittances, a few facts are clear enough. First, women make a significant contribution to remittances received by developing countries, not only because they are increasingly involved in temporary provision of services abroad but also because they are more likely to save more and to remit a larger proportion of their earnings back to their home country. Most of them are in the lower or middle-skilled categories and come from poorer families. It has been a proven fact that they tend to send a higher proportion of their wages back home.

In 2003, \$93 billion in remittances flowed to developing countries – nearly double that of official development assistance (ODA) (World Bank, 2003b). It has been estimated, that when flows through informal channels are accounted for, the actual magnitude of remittance flows to developing countries may be considerably higher (World Bank, 2004). Latin America is the principal destination of remittances from temporary workers. Such flows to the region exceeded \$30 billion in 2003, which is higher than the region's foreign direct investment (FDI) and ODA receipts, and represents a nearly 30-per-cent increase from the previous two-year period (World Bank, 2004). Of these remittances, 75–80 per cent were from the United States, 9 per cent from Japan, 6 per cent from Europe, 3 per cent from Canada, and 5 per cent from other Latin America and Caribbean countries. Worldwide, the United States, the European Union (EU) and Saudi Arabia are the largest sources of remittance flows (World Bank, 2003b).

Although in 2002 the absolute value of remittances was greatest in countries in Asia, Latin America and North Africa, it was in low-income

countries where the value of remittances as a share of GDP (2.9 per cent) was the highest relative to lower-middle-income countries (1.3 per cent), and upper-middle-income countries (1 per cent) (World Bank, 2004). Data for 2001 from individual countries illustrate this: as a share of GDP, remittance receipts were highest in Tonga (37 per cent) and Lesotho (27 per cent) (World Bank, 2003b). These data highlight the positive role of remittances in LDCs and other low-income countries. They can be invaluable as a source of hard-currency earnings for commodity-dependent and resource-strapped countries.

### *1.5.1. Benefits of Mode 4 and remittances*

Movement of natural persons supplying services under the GATS extends beyond short-term economic, trade and competitiveness benefits for developing countries. By providing employment opportunities abroad it can be an effective tool in addressing unemployment in the domestic economy and thereby contributing to poverty reduction. Workers' repatriated earnings in the form of remittances received by their home countries are also a way to generate investment and savings and to promote accelerated development of the domestic economy. Furthermore, as women return to their home countries after temporary employment as service providers abroad, the entrepreneurship and knowledge acquired abroad can stimulate gender mainstreaming into domestic services sectors and enhance the domestic capacities needed to assimilate new technologies into key sectors in their home countries.

Remittances have clearly emerged as one of the most stable, steady, continuous, increasing and significant source of development finance for many developing countries. The rapid growth in remittance flows in recent years has stimulated consumption and investment and reduced inequalities, including in terms of gender. Unlike FDI, the flow of remittances is more widely distributed amongst developing countries and is an important complement to ODA and FDI. Remittances deliver financial resources to people who need them the most, including women, without the need to wait for a trickle-down effect from other financial channels and investment. Recent analyses of economic effects of remittances have demonstrated their

positive effects on savings and investment, on recipient countries' foreign exchange reserves, income and growth, and as an insurance policy against the risks associated with cyclical price and demand fluctuations affecting goods exports.

Relative to other sectors of trade, in many countries the value of exports from Mode 4- enabled services are already outstripping, or are poised to overtake, their major traditional export commodities or manufactures, such as Sri Lankan tea, Bangladeshi jute, and Indian textiles and clothing. They could also be a major means of diversification and for overcoming commodity dependence. It has been found that remittances have contributed to infrastructure development and improvement and assured better access of the poor to essential goods and services, such as transport, water, electricity, education and health care in their home countries and communities. Many remittances have resulted in investments in productive ventures that have provided employment and improved the living standards of local communities.

Thus, women benefit directly in terms of the resources (as investments) they themselves send home or in what they receive from their male family members in support of household consumption and expenditures and for asset building in their home country. Moreover, in many LDCs, when the domestic economy does not generate sufficient opportunities, as in the case of Bangladesh and Zambia, moving abroad for work provides an attractive opportunity for women. It does not require capital, which is scarce in developing countries and difficult for women to acquire, as they continue to be wrongly perceived as high-risk borrowers in many developing countries. Moreover, the structural adjustment costs of economic reform and liberalization in developing countries, which often affect women more, are easier to bear because of the cushion provided by income earned through Mode 4-enabled services involving women.

The most important spin-offs from Mode 4 movement of women service suppliers arise from the backward and forward linkages. Mode 4 movements enable women to improve their skill and educational levels, resulting in their becoming more highly valued, socially and economically.

When this happens, the propensity to invest in women's educational and skills development is greater in view of the potential opportunities that Mode 4-related employment would provide. It tends to increase the return on education and boosts investment and human capital development in the home economy, thus ensuring the continued availability of skills domestically, for example in the area of health services. Where movement involves less skilled women, it is likely to induce a positive impact on low-skill wages in the home economy. There might be, in some cases, a pull-up effect on wages in the home country, improving gender outcomes. It has also been found that it enables women, over time, to move up the value chain and become entrepreneurs, businesswomen and real estate agents. Conversely, it enables women at all skill levels, ranging from domestic and agriculture service providers to high-tech professional engineers and managers, to seize the opportunities provided by Mode 4. There has been a significant contribution of Mode 4 to the reduction of the gender-related wage gap in home countries.

Mode 4 is particularly useful for women when national unemployment rates are high, both in absolute terms and in relation to men. Because of the limited employment opportunities domestically and the time required to undertake structural change, movement of women abroad emerges as an attractive option in the immediate term to alleviate these problems. This is especially true in the area of care services as these are accessible to women at all skill levels. For example, in Sri Lanka, the unemployment rate of women stood at 13 per cent as compared to 7 per cent for men in 2002 (SL-DCS, 2002), a situation which contributed to a greater outflow of women than men seeking employment abroad (SL-BFE, 2004). Thus, apart from alleviating unemployment, Mode 4, based as it is on wage differentials and associated labour productivity across sectors, offers a better quality of life as well as a steady income for women from developing countries.

## **1.6. Costs**

The negative aspect of Mode 4 temporary movement for providing services arises from the fact that it may, in some cases, involve separation from families and a culture shock leading to psychological stress, unfavourable

terms and difficult working conditions. Women with lower skill levels are more vulnerable. Since women work abroad mostly as independent service suppliers, often delivering services without a contract, the terms and conditions of employment in the host country may not be favourable and predictable. In some cases, women may even be robbed of their true earnings by intermediaries who exploit them. As in many other areas, women suffer from inadequate access to information, and often they are misled by labour agents. For women temporary workers abroad, this may be costly in terms of family relationships. There are also extreme cases of exploitation of women moving abroad to provide temporary services.

Some of the measures that can be taken to address the difficulties faced by female temporary domestic workers include: standardization of employment contracts; the establishment of a special provision for the settlement of disputes between migrants and employers with the knowledge and concurrence of the host-country government; and the implementation of orientation programmes for migrants seeking employment abroad.

In terms of the home country, one of the most important costs involves temporary loss of trained womanpower and capital invested in their education and training. Skills shortages due to this brain drain (Stalker, 2000) have been experienced in certain countries, including Ghana, Jamaica, Malawi and the Philippines, thus affecting the provision of key services, such as health care, at home. The movement of health workers abroad, in particular, has created some concerns relating to the issue of brain drain in a number of countries. The phenomenon of brain drain may also occur within a country in regional terms or where a sector does not provide adequate employment opportunities. The size of a country may accentuate this problem, and it may also be more pronounced in certain parts of the world. In fact, the same countries have become sending and receiving countries, for example of nurses from and to Jamaica and South Africa, leading to a growing trade in services globally, and creating a phenomenon of “brain circulation”.

The issue of “brain drain” is less acute when such movement is temporary. Some countries such as the Netherlands have introduced measures to

ensure that movement to their markets remains temporary. They have committed to investing in monitoring the return of workers to their home countries, and in training programmes for skills which would be useful to service suppliers upon return to their home countries. Furthermore, costs linked to temporary loss of skills in the home economy are more than likely to be offset by gains, including through income remitted back to the home economy to support farming, housing purchases and development of related residential infrastructure, such as educational and health facilities, and venture capital for entrepreneurship. In many cases, those returning have come back with higher skills and training, and invested in local skills development, thus adding to brain “gain” rather than “drain”.

## **2. THE STATUS OF MODE 4 COMMITMENTS: NECESSITY OF EXPANDED MARKET OPENING**

Multilateral liberalization of trade in services through Mode 4 constitutes an unfinished development agenda of the Uruguay Round. It is also an essential element of a balanced and development-oriented outcome of the current multilateral trade negotiations launched at Doha in 2001. It is important for the trading system because, at present, Mode 4 movement is taking place in the context of extremely limited multilateral commitments and/or bilateral and regional frameworks and unilateral regimes. These are, by their very nature, often changeable or arbitrary and do not provide stable and predictable market access. In addition to the limited commitments, there are a number of market-entry barriers that Mode 4 exports of developing countries face. Based on the experience of past negotiations in services, achieving effective liberalization of Mode 4 needs to go beyond market access and national treatment (UNCTAD, 2003a; UNDP, 2003).

Entry barriers arise from immigration-related restrictions and a plethora of administrative, procedural, technical and licensing requirements. The multilateral liberalization of Mode 4, and meaningful market access commitments therein, must be buttressed by a reduction and streamlining of market-entry conditions if substantive development gains are to be assured by the international trading system. There is also a very real need to separate the Mode 4-related supply of services from immigration so as to

avoid political and cultural complications, including xenophobia, that hamper realization of the full potential of Mode 4 for both home and host countries. It has to be understood that liberalized, but regulated, movement of temporary workers from developing to developed countries would help resolve the problem of clandestine and illegal migration which raises all kinds of difficulties for both home and host countries.

In terms of the commitments scheduled by major developed countries under GATS Mode 4, an increase in women's participation and benefits from international trade in services would be greatly facilitated and supported by the introduction or improvement of the following (UNCTAD, 2003a):

- i) Widening the categories of service providers covered to include independent and contractual service providers;
- ii) Including all skill levels and occupations;
- iii) Eliminating economic needs tests or reducing their coverage and making them more predictable through establishment of transparent criteria;
- iv) Simplifying, streamlining, easing and making more transparent visa, work permit and licensing requirements and procedures;
- v) Wage parity and social security concerns, whilst being valid, including in respect of gender equity and welfare, should be rationalized (including through portability of social security), and accomplished in a way that does not diminish the comparative advantage of women service providers. Where Mode 4 women service providers are required to contribute to social security in host countries, they should be able to benefit from it in the future; otherwise such contributions should be reimbursed; and
- vi) Facilitating recognition of professional qualifications including through mutual recognition agreements, and horizontal application of the GATS guidelines on accountancy to other professions, as appropriate. It has been found that different approaches to granting recognition could have a certain degree of gender bias especially in higher skilled services.

The following criteria are taken into account when granting market access: educational qualifications, work experience, past earnings, prior professional achievements. An illustration of the importance of qualifications requirements and mutual recognition and accreditation issues is provided by the health services sector. Recognition of qualifications and experience has become an important issue in the movement of nurses, and in some cases it acts as a significant barrier to their movement. In recent years, temporary movement has been growing in countries such as France, Germany and the United Kingdom, with decisions being made by employers. In addition, in the United Kingdom, for example, a new Highly Skilled Migrant Programme has been introduced, which promotes movement of persons with special skills, with emphasis on general medical practitioners, including nurses.

In general, assessment of qualifications and/or skills for entry to an occupation may consist of one or more of the following processes/mechanisms: (i) *mutual recognition agreements* for occupations (engineering, actuarial) or for groups of countries (e.g. the EU, the Southern Common Market (Mercosur) and the North American Free Trade Area (NAFTA)) or provinces/states; (ii) competency-based assessments by means of *employer interviews* (in non-registrable occupations) or *tests* (registrable or licensable occupations); (iii) *on-the-job competency assessments* – during or after a period of service (e.g. for nursing); (iv) *probationary* or trial periods of supervised work – such as teaching and medical practice; (v) *examination* of knowledge (such as medical tests) and/or language skills – often with no training or local experience; or (vi) *credentials assessments* or assessments of paper qualifications, where institutions or individuals are assessed for comparability, “substantial” equivalence or equivalence.

Governments in both, developed and developing countries can play an important role in maximizing the economic and development dividends of Mode 4-related movements of women (Williams, 2003). Adopting an optimal mix of regulation and liberalization of market access for Mode 4, and ensuring the temporariness of such movement, in addition to assuring protection of the rights of women abroad, are key requirements. It is

important to promote an analysis of different factors and drivers in the area of movement of women supplying services abroad and trying to identify their rate of return, in order to gain a better understanding of the multiple effect of these trade-related movements on the country of origin and some of the bottlenecks that trade faces in this area.

Developing countries are already supplying services internationally, and have specific interests in liberalizing market access in the context of the GATS. It would be helpful to strengthen the capacities of governments to manage the trade agenda surrounding the issues relating to Mode 4, including: sequencing of the implementation of domestic policy reforms; innovative employment policies and training programmes aimed at capitalizing on export opportunities; and supporting the creation of institutional capacities to allow recognition of qualifications at all levels in services with export potential.

### **3. THE IMPORTANCE OF MODE 1 IN TRADE AND DEVELOPMENT: OUTSOURCING AND OFFSHORING**

#### **3.1. Sectors and trends**

Mode 1 concerns outsourcing, in the sense that there is cross-border supply of services without movement of either the supplier or consumer from one country to another. The primary mechanism for Mode 1-delivered services are ICT technologies. Until recently, outsourcing of services was mostly among developed countries, and when it first expanded to include outsourcing to developing countries, this was often in the form of outsourcing routine IT functions. IT outsourcing consisted of contracting a service provider to completely manage, deliver and operate one or more IT functions such as data centres, networks, desktop computers and software applications. This was initially performed at clients' sites, and therefore was not "offshorable"; however, with recent technological advances much of this work can now be done remotely. Large IT and business process outsourcing (BPO) service providers and intermediaries have included Accenture, Computer Sciences Corporation, CAP Gemini Ernest & Young,

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Deloitte Consulting, IBM Global Services, Keane and PriceWaterhouseCoopers (Vault, 2004).

More recently, owing to advances in network technology, high-speed data networks and substantial increases in bandwidth capacity, outsourcing has expanded dramatically to include a wide range of business activities. One of the major outcomes of the rapid internationalization of information-technology-enabled services (ITES) has been the practice of BPO, including remote management services that can be performed away from clients' locations through ICTs (UNCTAD, 2003b). As large companies in developed countries have increased their scope of operations, they now outsource entire business functions – a practice sometimes referred to as offshoring. In order to lower operating costs, functions such as call centres and customer support centres have been moved to lower cost locations, and remote services providing Internet and Web-based applications have become substantial new business areas. As a consequence, some developing countries have emerged as major players in BPO, providing services such as software application and development, and finance and account-management services. Service sectors amenable to outsourcing include finance, banking, insurance, human resources, e-training, healthcare, mortgage services, credit card services, asset management, customer care, logistics and distribution, real estate, sales and marketing, and web-related services. Indeed, cross-border supply has the potential to become the most prevalent mode of trade in services.

Cross-border exports of services from developing countries have grown rapidly in recent years due to: the rise in outsourcing of back-office and offshore activities to low-cost centres, driven by ICT advances; pressures to reduce costs; increased availability of low-cost, well-trained and educated workforces in developing countries; and demographic trends. The global ITES, including the BPO market is predicted to be worth \$300 billion by 2004, following projections of annual market growth of 23 per cent since 1999. This would make it one of the fastest growing service sectors (Berkman, 2002). Outsourcing companies benefit from trade facilitation, cost reduction and a round-the-clock work cycle. This enhances their competitive advantages to offer services to home economies facing

shortages of manpower and skills in specific areas and sectors, particularly during the night hours.

Recently, an increasing number of enterprises have been opting for outsourcing in developing countries, providing these countries with an opportunity to exploit higher value-added niches. Some of the countries in which BPO service providers are emerging, are Bangladesh, Brazil, China, India, Malaysia, the Philippines, Romania, the Russian Federation, Singapore, Thailand, Venezuela and Viet Nam. So far, the kinds of services provided by these developing countries have been mainly basic ones such as data entry. However, increasingly, complex functions are being executed related to human resources, billing, finance, payroll administration, training, telemarketing and order entry. A large number of developing and transition economies are engaged in cross-border exports of services across a wide range of sectors. Today, Manila (the Philippines), Bangalore (India), Shanghai (China) and San José (Costa Rica) are the new back offices for corporate Europe, Japan and the United States, and even countries such as Bulgaria and Romania are emerging as service providers for developed-country markets.

In India, outsourcing has demonstrated its viability. The country accounts for a growing share of the international outsourcing market owing to its English-speaking, skilled workforce and wage levels that are roughly 80 per cent lower than those in developed countries. India's BPO sector has grown by almost 60 per cent since 2000, and is projected to be the fastest growing segment of the IT market in the country over the next five years. It is reported that half of the world's largest 500 companies and government agencies contract IT and business process services to India, and the number of companies outsourcing more than 3 per cent of their IT budgets to India rose from 32 per cent in 2000 to 62 per cent in 2001 (*Financial Times*, 2003). Major Indian outsourcing providers include GE Capital International Services, Infosys, e-Serve, Wipro Technologies, Tata Consultancy Services Group, Satyam Computer Services and HCL Technologies. Many Indian companies such as Tata, Infosys and Wipro have already established themselves as global leaders in the BPO arena.

In China, firms have built significant capacities in product development outsourcing services. Chinese firms have become key product development centres for General Electric, Intel, Microsoft, Phillips, and other electronics giants, for hardware design and embedded software. China also hosts call centres for companies in Japan and the Republic of Korea. The Philippines is host to outsourced work from over 8,000 foreign companies given its English-speaking, educated workforce of accountants, software writers, architects, telemarketers and graphic artists. Costa Rica is host to call centres for Spanish-speaking customers in the United States and Europe, given its cheap telecommunications and well-educated workforce. Companies such as Boeing, Nortel, Motorola and Intel outsource research and development services and solutions for complex projects to the Russian Federation, owing to its large pool of professionals in science, information technology and mathematics.

Demographic data also suggest that cross-border supply will become increasingly important in services trade. According to projections by the United States Bureau of Labour, there will be an estimated 168 million jobs in the United States in 2010, but only 158 million workers, and thus a shortage of some 10 million workers (Fullerton and Toossi, 2001). To the extent that many services can be intermediated and physically disengaged from the firm's location, and that imports of labour cannot make up for the entire gap, much of this shortage will be met by outsourcing contracts to low-cost developing countries. In the light of this projected growth in demand for foreign outsourcing services and the competitive advantage enjoyed by a number of developing countries by virtue of their economic, linguistic and technical capacities, there is growing expectation that the potential for developing countries to enter the outsourcing industry is virtually unlimited. It is estimated that developing countries could increase their participation in offshoring to levels approaching 25 per cent of the world market for outsourcing.

### **3.2. Gender intensity of outsourcing to developing countries**

Countries that have a well-trained and educated workforce and well-developed telecommunications infrastructure will continue to be the main

beneficiaries of this process. The supply of cross-border services in a number of sectors has created opportunities and attracted women as a predominant workforce due to their perceived comparative advantage in a number of areas. For example, women tend to contribute to a larger extent in the area of data entry and data conversion activities. The most common among these are medical and legal transcription services, whereby dictated recordings by doctors or lawyers are converted to written medical or legal records. At present, there are about 200 medical transcription firms in India employing some 10,000 transcribers, many of them women (*Economist*, 2001).

Women are also predominantly employed in providing teleworking services, which involve rules-based processing and simple voice and on-line customer-relations support services, based on rules set by the client. These include call-centre services, e-mail processing, data processing, billing and payments. The clients include airline companies such as Delta and British Airways for reservation and frequent flyer services, financial companies such as Citigroup for credit card payment and collection services, retail stores such as JC Penny and Lowe's for online shopping services, and cheque printers such as Deluxe for data processing services. Multinational firms such as GE and American Express also provide such processing and voice services specifically to their client companies.

Outsourcing plays a major role in creating job opportunities, in particular for women, who may be employed largely at the low end of BPO services, working in call centres or performing data entry and other operations requiring low-level skills. The global expansion of software and IT-enabled services has broadened job prospects for women, who can now work from home or in a data centre or telecentre close to home (UNCTAD, 2003b). The Indian BPO sector, for instance, employs a large number of women: of Wipro's total workforce of 5,000 employees, 49 per cent are female, ICICI OneSource's workforce of over 2,400 employees is 60 per cent female, and Daksh E-Services also claims that 60 per cent of its employees are women (Aggarwal, 2003).

### **3.3. Benefits**

The perception that outsourcing, and particularly offshoring, is somehow equal to export of service jobs from developed to developing countries has created some concerns amongst labour unions in developed countries and raised political sensitivities. In fact, analysis by economists carried out across different sectors suggests that this phenomenon is a win-win situation for both developed and developing countries, and therefore the perception that outsourcing would lead to job losses or wage depression in developed countries is unjustified.

There are numerous benefits that accrue to both source and host economies from Mode 1 trade in services. For host economies, one of the main benefits is employment creation. For example, transcription services are a major source of employment in India, as noted earlier. In some countries such as Bangladesh, where there are limited opportunities for skilled workers, transcription services are a source of employment for doctors and other highly educated medical professionals. Mode 1-delivered service opportunities also help bridge the gender-based wage gap.

Thus cross-border trade provides a source of gainful employment as well as scope for diversification of employment opportunities in developing countries. Moreover, wage rates tend to be higher compared to local jobs requiring similar qualifications. Mode 1 also results in strategic investments in the form of local subsidiaries, joint ventures with local firms, and establishment of R&D centres, with spillover benefits to the host economies from transfer and upgrading of skills and technology, especially for women. Destination developing countries see increased investment and job creation. As a McKinsey Global Institute (MGI) study points out, a country such as India, gains 33 cents for every dollar spent on offshoring contracts to its firms (MGI, 2003).

The MGI study indicates that “it is as beneficial to the US as it is to the destination country, probably more so.” Offshoring will allow the United States to capture economic value through reduced costs, new revenues, repatriated earnings and redeployed labour. Of the \$1.45 to \$1.47 value MGI estimates is created globally from every dollar spent, the United

States captures \$1.12 to \$1.14, or 78 per cent. It has been found that the job creation in developing countries on account of offshoring is not at the expense of jobs in the United States; rather, offshoring is a net contributor to job creation across sectors in that country. The ploughing back of the savings and extra revenue into the domestic economy can generate new employment opportunities and enhance consumer welfare in the home countries.

For home countries, the most important benefit derived by the outsourcing is cost reduction and productivity gains through lower labour costs. For example, monthly salaries for an engineer are only \$500 per month in China and \$700 per month in India compared to \$4,000 per month in the United States (BusinessWeek, 2003). These wage differentials translate into huge gains for companies in the developed world. However, although estimated cost savings are less than salary differentials would suggest, due to staff transitions and remote management costs, they remain significant, usually exceeding 20 per cent (Overby, 2003).

In addition to the above gains, Mode 1 has several other positive implications. These include its larger impact on trade between the outsourcing and host economies, such as through expenditures for buying bandwidth from telecommunication firms in the outsourcing economies or expenditures for purchase of hardware from the outsourcing economies. Mode 1 also enables companies to leverage strengths across different locations in the world and makes possible a 24-hour work cycle. It also enables developed country firms to overcome manpower and skill shortages in their home countries.

### **3.4. Status of Mode 1 commitments: keeping markets open to all GATS modes**

Although constraints to cross-border supply of services have thus far been mostly technical and infrastructural in nature, recently there has been a move towards policy-based intervention. In some countries, such as the United States, some state legislatures have sought to pass laws banning government procurement from outsourcing contracts with foreign firms.

There are related moves to prevent domestic firms that are under contract with the government to outsource any government-related work to foreign firms. This would have a significant impact on inter-firm outsourcing as well. It is therefore important that such protectionist moves on Mode 1 be pre-empted. Recognising this, some developing countries are seeking in the current GATS negotiations to table requests based on Mode 1, and also in relation to the computer and related services where they expect considerable market opportunities.

A major limitation of Mode 1 concerns the lack of commitments “for reasons of lack of technical feasibility” even though rapid technological changes have made such supply possible in the case of BPO and ITES services. Only 30 per cent of commitments made under Mode 1 so far are full commitments, although it should be possible to make full commitments during the current round of GATS negotiations. For instance, currently less than half of the Mode 1 commitments are unrestricted with regard to distribution, advertising, architecture, legal, accountancy, and computer and computer-related services.

Services supplied under Modes 1 and 4 are often substitutable or complementary for many of the types of business activities that are commonly outsourced. However, Mode 4 commitments remain extremely limited. In the context of securing increased Mode 1 market-opening commitments from developed countries, developing countries are thus seeking to gain parallel Mode 4 opening needed to supply services related to these activities. More complex, higher value-added activities tend to involve temporary movement of natural persons during their preparatory and follow-up phases, even though the final services are provided through cross-border supply. Such inter-modal linkages imply changes in the need for movement of natural persons at the middle level (in that it reduces the duration of stay and the numbers of personnel), and the shift towards movement of intra-company transferees and business visitors from middle and lower level service providers. This means that as countries move up to higher value outsourcing and BPO activities, their need for mobility of natural persons will not diminish, but instead shift towards higher level service providers.

Complementary to liberalization of Mode 1 is liberalization of Mode 4, in particular with regard to contractual service suppliers in the middle level service providers categories, and the delinking of commercial presence requirements from Mode 1 and Mode 4 commitments. The possibility of using a “GATS visa” could be considered in this regard. Expanding specific commitments in Mode 1 across all service sectors is necessary to ensure that a choice of the most suitable means of the supply of services is available to private sector operators. This is the best way of ensuring an effective allocation of resources. A limited mode-wise approach in the negotiations does not reflect the economic reality of changing business practices and the linkages between modes of supply for the delivery of services. The real economy shows that services are provided simultaneously through multiple modes of supply. Barriers to one mode translate into actual/potential barriers to other modes. Some limitations that arise in all modes include transparency, recognition, nationality, residency, and commercial presence requirements and other conditions related to security (data protection, liability, privacy). Some of these constitute market-entry barriers and restrictions that go beyond market access and national treatment commitments under the GATS. Transparency and objectivity of information and issues relating to social impact in home countries of corporate policies are important issues that need to be addressed.

Computer-based and related services are acting as enabling services for cross-border trade in services across all other service sectors. Liberalization of these particular services could therefore act as a catalyst in making them more accessible to end-users and in promoting trade through Mode 1 in other relevant service sectors and modes of supply of export interest to developing countries. This is why developing countries are seeking progress in liberalization of computer-based and related services as a necessary pre-condition for enhancing trade in Mode 1 across all service sectors, and for outsourcing. Developed countries should make commitments for categories of professionals in the area of computer-related services in line with the International Labour Organization’s International Standard Classification of Occupations (ISCO 88), namely for computing professionals and for computer associate professionals. In this respect,

numerical restrictions on the entry of professionals in foreign markets for the supply of services would need to be removed, and greater provision made for mobility of these professionals through the issuing of visas. The EC has made an initial offer in this sector that provides for flexibility for the continued evolution of the sector, combined with an offer in the area of management consulting, thus reflecting a functional approach to the sector. There may also be a need to focus on government procurement when negotiating for this sector, especially since public policy does play an important role in the development of computer-related services.

Mode 1 depends on the availability of telecommunications services as the basic infrastructure for cross-border trade. Efficient telecommunications services are a necessary condition for facilitating the liberalization and trade of a wide range of other services, including information technologies, and particularly in promoting and making possible the international outsourcing of services. Further improvements in commitments made in the telecommunications sectors should be supported in developing countries. This could be best achieved by integrating robust competition policies and adequate sectoral regulation and enforcement capabilities as pre-conditions, if liberalization is to yield benefits.

#### **4. CONCLUSIONS**

Multilateral liberalization of Modes 1 and 4 is key to increased and beneficial participation of developing countries not only in world services trade, but also in trade-led growth and development in general. At the same time these Modes provide the greatest opportunity to developing countries to foster gender equity, welfare and women's social and economic empowerment. However, dedicated national efforts by developing countries are also needed to realise these latter benefits. Women's awareness of BPO opportunities and access to education and technology are required for their integration into increasingly ICT-related outsourcing industries at all levels of BPO service operations. For sectors related to both Modes 4 and 1, domestic training programmes should be coordinated and effectively deployed to build the necessary technical and managerial skills so that

opportunities offered by an increasingly liberalized global services market can be seized.

Achievement of broader liberalization commitments across sectors, and a greater balance in the distribution of commitments across the different modes of supply through the GATS negotiations will allow developing countries to improve their competitiveness in global markets and benefit from the emerging opportunities offered by trade in a wide variety of service sectors where they have substantial comparative advantages. This would renew developing countries' faith in the ability of globalization and liberalization of trade and investment and the application of modern technologies to deliver major development gains. It would thus help developing countries to meet the challenge of providing equal opportunities, both in terms of employment of women and improving women's earning power.

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## Chapter 8

# **GENDER AND THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS:**

## **EXPLORING SOME INTERLINKAGES<sup>1</sup>**

### **INTRODUCTION**

The relationship between the new multilateral trading regime – that has emerged as a result of World Trade Organization (WTO) Agreements – and developing countries is multifaceted. The gains from liberalized trade for developing countries are fraught with new restrictions that have been imposed on them by the WTO and its annex agreements. The Agreement on Trade-Related Aspects of Intellectual Property Rights, 1995 (hereafter, the TRIPS Agreement) is one such annex agreement to the WTO, which seeks to set out “...[e]ffective and adequate protection” of intellectual property protection required for global trade.<sup>2</sup>

An overriding reason for the granting of intellectual property rights is the promotion of innovative activity in society. Since the dissemination of knowledge once produced cannot be controlled effectively by the creator, intellectual property protection gives monopoly rights to inventors on their creations in order to encourage the production of useful information in society. In the long term, the static costs of such monopoly protection are to be offset by the dynamic gains accruing to society from the creation of such socially useful information.

Article 7 of the TRIPS Agreement that spells out its objective not only mirrors this rationale, but also carries it forward to a certain extent.

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<sup>1</sup> This chapter has been prepared by Padmashree GEHL SAMPATH, United Nations University, Institute for New Technologies (UNU-INTECH), Maastricht, the Netherlands.

<sup>2</sup> See the Preamble to the TRIPS Agreement.

According to the Article, the aim of the Agreement is to ensure that the protection and enforcement of intellectual property rights contributes "...[t]o the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations." Therefore, the protection of intellectual property is not an end in itself, but only the *means* for the promotion of the public policies stated in Article 7, including the transfer and dissemination of technology in a manner conducive to *social* and economic welfare.

In order to provide for effective and adequate protection of intellectual property, the Agreement classifies intellectual property into several categories and lays down the minimum standards of protection for each.<sup>3</sup> In the case of patents, the Agreement has strengthened minimum levels of patent protection when compared to the earlier Paris Convention on Protection of Industrial Property, 1883. There are several provisions in the TRIPS Agreement, such as Articles 27(1), 27(3)(b), 28, 30 and 31 (a) to (f) of the Agreement (Correa, 2001) that strengthen the minimum standards of patent protection in WTO member countries.

It has been claimed that stronger intellectual property (IP) protection can lead to more investment in research and development (R&D) in the priorities of developing countries (Maskus, 2001). But at the same time, the stronger IP protection that results from these provisions has been criticized for its potential detrimental impacts on drug availability and affordability in developing countries. A compelling case for assessing the impact of these provisions on access to essential medicines was made by the struggle to secure HIV/AIDS drugs in South Africa and Brazil. Both cases concerned the provision of antiretroviral (ARV) drugs to HIV/AIDS patients. Whereas the South African Government sought to parallel import generic versions of ARV drugs from India, the Brazilian Government tried to license the

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<sup>3</sup> See Parts I and II of the Agreement.

manufacture of the drugs compulsorily to local firms, in order to make the drugs available at cheaper prices to affected people.<sup>4</sup>

Article 27(3)(b) of the TRIPS Agreement, which provides for intellectual property protection of life forms, albeit with some exceptions, has also been the cause of controversy between developed and developing countries in two main areas: (i) the protection of traditional knowledge of local and indigenous communities that is of relevance to medicinal products research, and (ii) the protection of plant varieties, agricultural biotechnology and the rights of farmers in developing countries.

Article 27(3)(b) makes it obligatory for member countries to grant patents on micro-organisms and non-biological and microbiological processes for the protection of plants and animals, at the end of applicable transition periods.<sup>5</sup> But such patents can be claimed only when the three main criteria for patentability – novelty, inventive step and industrial applicability – are satisfied.<sup>6</sup> The Article, however, gives countries the choice to deny patent protection for plants, animals and plant varieties (Tansey, 2002: 8). But it also requires that when countries deny patents on plant varieties, they provide an “effective” *sui generis* system for plant variety protection.<sup>7</sup>

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<sup>4</sup> See section 2 of this study for a detailed discussion of the facts of the two cases.

<sup>5</sup> Articles 65 and 66 provide for different deadlines for implementation of the provisions of the TRIPS Agreement for developing countries and least developed countries (LDCs) respectively. Developing countries were allowed five years to implement the TRIPS provisions in domestic environments, whereas the LDCs were given ten years to implement them. See also footnote 11 for some other exceptions.

<sup>6</sup> For an invention to qualify for a patent, there are three main requirements: it has to be novel, it should possess an inventive step (inventive progress) and it should be capable of being applied commercially. Article 27(1) of the TRIPS Agreement specifies these three requirements clearly, but does not define them. As a result, deciding what constitutes novelty, inventive step and commercial application is a matter of national jurisdiction, although intellectual property jurisprudence contains some common notions. For example, generally, “prior art” is the criterion applied by patent offices to judge novelty; for an invention to be novel, it should not be available in the public domain.

<sup>7</sup> “*Sui generis*” simply denotes a system of its own. The TRIPS Agreement gives a similar choice to member countries also in the case of database protection.

Much of the controversy on protection of biotechnological inventions and related information, such as traditional knowledge, revolves around how the criteria of patentability should be interpreted and applied across countries. Concerning patents on micro-organisms, for example, the dispute is largely about the distinction between discovery and inventions. Similarly, regarding traditional knowledge, there is uncertainty as to how the requirement of novelty should be interpreted, given that much of such knowledge systems are the result of generations of learning and experience and what constitutes “prior art” to determine novelty (see box 1 below).

### **Box 1. The TRIPS Agreement and questions of traditional knowledge**

Traditional knowledge refers to the knowledge, innovation and practices of indigenous and local communities, that is of importance to the use and conservation of biological resources worldwide. According to Article 8(j) of the Convention on Biological Diversity (CBD), 1993, such knowledge is to be protected “subject to national legislation”. The Convention also suggests that when such knowledge is commercialized, it should be done so with the consent and wider participation of such communities, and benefits that accrue from such commercialization be shared with the communities (see Articles 1 and 8(j) of the Convention). In this context, as a result of some patents granted on inventions based on traditional knowledge (e.g. turmeric), it has been felt that intellectual property rights on biotechnological inventions, as granted under Article 27(3)(b) of the TRIPS Agreement, may encourage firms to patent inventions based on traditional knowledge without acknowledging their source or sharing benefits that arise from the commercialization of such products.

The lack of well-defined and enforceable property rights on traditional knowledge within developing countries, where such communities live, is a major reason why firms are able to patent such knowledge. The traditional knowledge of local and indigenous communities possesses certain characteristics as a result of which it does not fit into formally recognized IP categories. That the knowledge is communally held or that it has been created over generations are factors that call for the creation of *sui generis* protection mechanisms. Although the TRIPS Agreement does not prevent countries from enacting such laws, as long as they are compliant with the minimum standards of IP protection as set out by the Agreement, designing such laws is a challenging task for developing countries. The CBD, on the other hand, lays down rules of prior informed consent, disclosure of origin and fair and equitable benefit-sharing that serve as good guidelines to formulate laws on traditional knowledge; but how they should be made to act in tandem with patentability requirements is a big area of controversy between developed and developing countries. The intermediate legal vacuum leaves

communities who are holders of such knowledge with little or no bargaining power at all. The Conference of the Parties (COP) to the Convention on Biological Diversity, a review mechanism of the CBD that meets every two years, has dealt with this issue of reconciling the TRIPS Agreement and the CBD provisions on protection of traditional knowledge (See for example, the COP3 and COP5 proceedings).

One major reason for the granting of such patents is the way “prior art” has been interpreted under several jurisdictions. “Prior art” is the criterion applied by patent offices to judge novelty, one of the three main requirements of patentability (see footnote 4). For an invention to be novel, it should not be available in the public domain. But since traditional knowledge can be oral as well as written and can exist anywhere in the world, it presents difficulties for patent authorities. Work is under way in the World Intellectual Property Organization (WIPO) on how to define and check for “prior art”.

In the domain of protection of plant varieties, agricultural biotechnology and farmers’ rights, Article 27(3)(b) raises two main issues for developing countries. Crop genetic resources, many of which have been cultivated by traditional farming communities in developing countries are useful inputs to the development of modern crop varieties (Dutfield, 2000:2). The technological capabilities to utilize such germplasm for the creation of modern varieties are available largely in the developed countries. How can traditional agricultural knowledge, and the genetic resources associated with it, be protected in a way that farmers in developing countries continue to have access to their genetic resources and benefits that arise from commercializing such varieties, are shared with the farming communities who conserved and enriched them? Secondly, how can developing countries channel the potential benefits of agricultural biotechnology to: (a) create crop varieties that are more suited locally? (b) enhance their know-how related to food production? and (c) improve access to technological inputs that increase local competitiveness and productivity?

### **Main gender-related concerns in the literature**

The rules of the WTO and its annex agreements apply to men and women equally. Sifting through the literature, one finds that the main gender-related concern is that trade rules may affect women more than men, not

because they target specific groups more than others, but because of women's more vulnerable position in most developing and least developed countries. Women continue to constitute a highly underprivileged group of persons in many parts of the world even today, due to restrictive political, economic and socio-cultural circumstances that control women's access to education, property and other fundamental rights, as well as their access to major market-based facilities. Because of this, it is feared that while trade liberalization may better the position of men, it may leave women worse off than before, thus exacerbating gender inequalities (North-South Institute, 2003: 2).<sup>8</sup>

Specifically, within the purview of the TRIPS Agreement, several gender-related issues have been raised. Since women have specific health requirements due to their biological constitutions, an important issue is whether higher prices of drugs and the resulting loss of access to essential medicines has the potential of affecting women *much more* than men. Secondly, it is believed that lack of recognition of the traditional knowledge of local and indigenous communities can serve as a major setback to women, particularly since they play, in many instances, a more vital role in conserving biological diversity at its site of occurrence. Finally, according to the Food and Agriculture Organization of the United Nations (FAO), there is a growing trend towards the "feminization of agriculture" (FAO, 2003). This term refers to the ever-increasing role that women play in agriculture in most developing and least developed countries. According to estimates, women produce up to 80 per cent of food crops in sub-Saharan Africa, whereas in Asia about 90 per cent of agricultural labourers in rice cultivation are women (FAO, 2003). It is therefore feared that if there are any negative repercussions of Article 27(3)(b) on agriculture, they will likely affect women much more than men due to the primary role

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<sup>8</sup> Several studies exist that survey the impact of free trade on women. See, for example, Berik, Van der Meulen Rodgers and Zveglic (2002) who have studied the impact of international competition on gender wage gaps between men and women in the Republic of Korea and Taiwan Province of China. Their study shows that international competition has resulted in increasing the wage gap between men and women in these countries in relatively concentrated industries.

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women play in agricultural occupations in developing and least developed countries.

### **The focus of the study**

The provisions of the TRIPS Agreement, like all other WTO Agreements, apply to all people – men and women. None of its provisions singles out women as a particular target group. The marginalization of women in development processes is largely attributable to prevailing national factors that allow for gender inequalities to persist and flourish in local contexts. Owing to these already existing inequalities, it is possible that some of the impacts of the TRIPS Agreement are felt by women much more than by men.

As a result, although this study looks at the potential gender dimensions of the impact of the TRIPS Agreement on: (a) access to medicines for HIV/AIDS and reproductive health, and (b) access to seeds, fertilizers, genetic resources and other know-how in agriculture, it is acknowledged that anticipating and rectifying these negative impacts is the primary responsibility of national policies and institutions. The conclusions are therefore mainly directed towards national governments and policy-makers in developing and least developed countries. These two areas of the TRIPS Agreement have been chosen due to the potential of these provisions to specifically affect women in a more drastic way, for reasons discussed in detail in the relevant sections below.<sup>9</sup>

The study is organized as follows. Section 2 deals with the impact of the TRIPS Agreement on access to medicines in general, and on women in particular. Section 2.1 examines the factors that influence price rises in countries as a result of the TRIPS Agreement. It highlights the fact that price rises are a cumulative result of several factors, and therefore the impact of the Agreement on prices of medicines can vary from country to country. Section 2.2 examines whether any price rises resulting from the

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<sup>9</sup> There are many other areas in which the impact of the TRIPS Agreement on women remains to be investigated, such as the protection of traditional knowledge. However, exploring these is beyond the scope of this paper.

TRIPS Agreement are likely to affect women more than men, and, if so, under which circumstances. Section 2.3 discusses the main policy prerequisites within national contexts that could ensure gender equity, notwithstanding any impact that the TRIPS Agreement may have on drug prices. In section 3, the impact of the TRIPS Agreement on agriculture and its gender dimensions is assessed in detail. Whereas section 3.1 deals with the implications of the TRIPS Agreement on Agriculture, 3.2 highlights the important role that women play in agriculture in developing countries, and section 3.3 predicts the impact of these changes on women and suggests ways in which national governments can deal with them. Section 4 presents conclusions and recommendations.

## **1. THE TRIPS AGREEMENT, ACCESS TO MEDICINES AND GENDER EQUITY**

Given that both men and women have different biological constitutions, gender equality in access to medicines means that both genders have equal access to all medicinal resources needed to realize their respective potentials for health (Doyal, 2000: 932).

Such equal access to medicines is conditioned by two main sets of factors. Changes leading to price rises of drugs that are available to poor people in developing countries is clearly one set of factors that affect access to medicines. To the extent that stronger IP protection, as in the TRIPS Agreement, results in drug prices that people in developing countries cannot afford, it leads to reduced access to medicines. A second set of factors that affects access to essential medicines is the presence/absence of efficient distribution mechanisms at the national, regional and local levels for drugs and health care delivery services in developing countries. In the absence of efficient drug and health care distribution networks, medicines will not reach people who need them the most, even if they were to be made available at affordable prices.

### **1.1. Price rises and their impact on access to medicines**

The total length of patent protection and its breadth/scope are determinants of the market power conferred by a patent on its owner. The provisions of the TRIPS Agreement, to the extent that they increase the length of patent protection and broaden the scope of protection (by introducing product patents), increase the market power conferred by patents. Prior to the TRIPS Agreement, although most countries provided for process as well as product patents,<sup>10</sup> they had their own ways of creating a balance between the length and scope of patent protection and social needs. For example, in India, pharmaceutical patents were allowed only for a period of five years prior to the TRIPS Agreement.<sup>11</sup> But now, all member countries of the WTO are obliged to grant patents on pharmaceutical products to the extent specified under the TRIPS Agreement.<sup>12</sup> Not only is the length and scope of the patent protection fixed, the Agreement also places restrictions on national governments' rights to award compulsory licences. Stronger, uniform patent protection, as mandated by the Agreement, gives the holder of the pharmaceutical patent the right to exclude any unauthorized making

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<sup>10</sup> According to the information available with the WTO Secretariat, at the date of entry of the TRIPS Agreement, there were even less than 20 developing and least developed countries which did not provide for product patents on pharmaceuticals, and almost all of them provided for process patents (Watal, 2001: 8).

<sup>11</sup> According to Reddy (2003), the Indian Patent Act of 1970 disallowed product patents for drugs. Only processes could be patented, and that too only for a period of five years. He notes that it was mainly due to these restrictions that many transnational corporations (TNCs) did not find it worth their while to maintain a presence in the Indian market in the 1970s and 1980s.

<sup>12</sup> The extent specified under the Agreement includes the different transition periods given to developing countries and LDCs, as already discussed in footnote 4. There are also some other exceptions that countries can rely on in the case of pharmaceutical patents. Article 65(4) of the TRIPS Agreement states that where countries did not provide for product patents on the date when the TRIPS Agreement came into force, they have the option of delaying product patent protection for pharmaceutical patents until 1 January 2005. India, for example, is presently benefiting from this exception by way of generics manufacturing. Of immense importance here is the extended transitional period for LDCs – until 2016 to implement the provisions of the Agreement on pharmaceutical patents as a result of the Doha Declaration on the TRIPS Agreement and Public Health (see subsection 2.3 for a discussion on this).

or selling of the drug in question (Watal, 2000: 2). Generic versions of patented drugs are illegal in all WTO member countries, unless they are manufactured after the expiry of the patent.<sup>13</sup> Additionally, the provisions of the TRIPS Agreement limit the authority of national governments to license the production of pharmaceutical drugs. Prior to TRIPS, national governments could reserve the right to award compulsory licences after a certain period on grounds such as the non-working of the invention.<sup>14</sup> It is not clear whether such provisions now contradict the TRIPS Agreement. The Brazilian AIDS case could have led to clarity on this issue if the United States had not withdrawn the case on the basis of a bilateral agreement with Brazil.<sup>15</sup> The restrictions that patent protection places on developing-country pharmaceutical markets have led to widespread fears

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<sup>13</sup> In countries where there is no patent on a particular pharmaceutical product, the drug can of course be freely produced as a generic, even during the life period of the said patent elsewhere and/or imported into the territory. This is because patents apply only territorially. For the firms, patenting to protect market shares and prevent copying or importing cheaper versions is important only as long as the market is sufficiently large and lucrative. As a result, there are many developing countries and LDCs where drugs that are patented in major markets have not been patented. In such countries, theoretically speaking, generic versions can be produced/imported.

<sup>14</sup> For example, according to the Indian Patent Act of 1970, the Government reserved the right to grant compulsory licences after three years (Reddy, 2002: 5).

<sup>15</sup> In the Brazilian case, the United States brought a complaint before the WTO Dispute Settlement Panel, under Article 68, against Brazil's Industrial Property Law of 1996. Specifically in question was the legality of the provision that provided that a patent should be made subject to compulsory licensing if it was not "worked" locally. The United States claimed that such a provision contravened Article 27(1) of the TRIPS Agreement, since it amounted to discrimination against patent holders who imported products into the Brazilian market as against those who produced it locally. Before the WTO Dispute Settlement Panel could decide on the issue, the United States withdrew the case based on a bilateral agreement with the Brazilian Government. But the WTO Panel's decision in the EU-Canada case (see WT/DS114/R; also known as the "bolar" case) lends strength to such an interpretation. In this case, the Panel held that the conduct that contravenes Article 27(1) is "discrimination" and not "differentiation", and interpreted "discrimination" in Article 27 as follows: "It is a normative term, pejorative in connotation, referring to results of the unjustified imposition of differentially disadvantageous treatment."

that such monopoly rights will lead to higher prices of drugs in developing countries.<sup>16</sup>

Stronger patent protection that results from the changes introduced by the TRIPS Agreement may, although not necessarily, lead to a rise in drug prices in developing countries. Its impact may vary from country to country, depending on the presence or absence of several factors. The main factors that result in higher prices of drugs and restricted access to medicines are identified below:<sup>17</sup>

*Presence/absence of a local industry.* The nature of competition posed by local firms is a critical factor in determining price increases associated with stronger patent protection. This includes the kinds of drugs being manufactured by local firms (whether they are generic copies or not), their extent of competitiveness – measured in terms of the percentage of the market that is captured by local firms – and the intensity of competitiveness amongst the local firms themselves (Maskus, 2001: 9). Where the domestic market is competitive, whether local firms choose to confront international drug companies or to collaborate with them in order to survive in the light of external competition, is decisive for price rises. Even when there is a competitive local sector, the introduction of product patents may not automatically lead to a hike in drug prices if the products being manufactured by the local industry are essentially those that are off-patent (Maskus, 2001: 9). In such a case, despite the presence of a competitive local market and elastic demand, any price increase after the introduction of product patents are likely to be relatively small, since product patents do not affect the prices of off-patent drugs. But if the products are generic copies of drugs that are patent-protected in other (developed) countries, when the local country complies with the TRIPS Agreement and firms choose to patent-protect their products in the country, producing further generic versions of the drugs may no longer be possible.

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<sup>16</sup> The TRIPS Agreement contains some provisions that give limited flexibility to countries to create a balance between IP protection and issues of public health and nutrition (discussed in section 2.3).

<sup>17</sup> This section is based entirely on Gehl Sampath (2003: 14-17).

*Presence of therapeutic substitutes.* Since each patented product competes with other patented and off-patent products in a given therapeutic category, it has been suggested that stronger protection will not lead to higher introductory prices of drugs when therapeutic substitutes exist (Rozek and Berkowitz, 1998: 215-216).<sup>18</sup> The South African AIDS case is a good example of the scale of the problem when therapeutic substitutes do not exist. In that case, the Government could not secure the supply of the three patented drugs that formed part of the AIDS cocktail at prices affordable to HIV patients in South Africa. With no substitutes available in the therapeutic category in question, the Government resorted to importing generics of the same drugs that were available from Indian manufacturers for one-third the price.

*Demand elasticity.* In general, the term demand elasticity refers to the changes in quantity demanded associated with changes in price.<sup>19</sup> Demand is said to be highly price elastic when the demand for the product varies hugely with small changes in price. In developing countries, medical insurance schemes are rare and people usually pay for 50–90 per cent of the drugs they buy from their own (WHO, 1999). As a result, even slight changes in price are met with heavy variations in demand.

*Price controls.* Most countries commonly impose ceilings on the prices that pharmaceutical firms can charge for their products. Such “price control” is usually set pursuant to the national economic and social goals of countries

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<sup>18</sup> As Rozek and Berkowitz (1998) note, their study examined the response of pharmaceutical prices to changes in IP protection. They did not examine the initial or launch prices of products introduced after IP protection to determine if these prices would be lower in the absence of such protection. They assumed that in each category there is sufficient therapeutic competition as a result of which the IP protected products are forced to compete with lower priced alternatives, and therefore cannot be launched at higher starting prices (with the exception of true medicinal breakthroughs for which there will not be any substitutes).

<sup>19</sup> Price elasticity of demand is a measurement of the sensitivity of quantity demanded to price changes (see Pindyck and Rubinfeld, 1995: 29). Demand is elastic when a one-unit increase in price (for instance, a 10-per-cent increase) leads to more than a 10 per cent fall in demand or the inverse: a 10-per-cent fall in price leads to more than a 10-per-cent increase in demand.

(Maskus, 2001). Whether domestic price control regulations are stringent or lax plays a significant role in the extent of price rise due to stronger patents.

*Essential medicines under patent protection.* Whether patent protection as specified under the TRIPS Agreement will lead to higher drug prices and reduced access to essential medicines will depend on how many of the essential medicines in question are under such protection. At present, many of the essential medicines are not under patent protection,<sup>20</sup> but, according to WHO estimates, more and more essential medicines are getting patent-protected.<sup>21</sup>

## 1.2. Potential gender dimensions of price rises

The healthy well-being of women depends on their ability to gain equal access to all medicines that are needed to fulfil their potential for good health. And their reproductive health is a critical aspect of their well-being. Not only because women have specific needs in this regard *per se*, but also because some of the fatal illnesses that affect women in developing countries are related to their reproductive health.

The rise in prices of essential medicines that may occur as a combination of the factors identified in Section 2.1 affects all people equally – men and women. As noted earlier, most essential medicines are not patent-protected, and drawing conclusions on the impact of patent protection on access to medicines is therefore based on limited data such as that relating to AIDS drugs. A recent study by Lucchini et al. (2003) focused on the determinants of source prices of ARV drugs in Brazil and in 13 African countries. The data in this study was collected between 1996 and 2002, and the African countries considered included Botswana, Congo, Gabon, Kenya, Nigeria and Senegal to ensure a good mix of varying purchasing powers and HIV rates. Their study showed that patent protection in a country is invariably

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<sup>20</sup> According to Watal (2001), less than 5 per cent, or less than 20, of all the drugs on the essential medicines list are under patent protection anywhere in the world. But note here that since affordability of medicines itself is one of the criteria used to determine which medicines are essential, these estimates may be questioned.

<sup>21</sup> See WHO, 2003: 23.

accompanied by price rises in AIDS drugs. According to the authors, “Our results clearly show that introduction of generic substitutes is influential for price decrease and that patent protection in a country is associated with price increase” (Lucchini et al., 2003: 201).

### *1.2.1. Access to HIV/AIDS drugs for women*

There are specific needs of women infected with HIV/AIDS that offer a good basis to argue that women may be more vulnerable to price rises of patent-protected ARV drugs and should therefore be offered preferential treatment.

Of the 4.2 million newly infected people with AIDS in 2001, 2 million were women, and of the 37.1 million people living with AIDS worldwide, 18 million are women (UNAIDS, 2002: 8). Whereas these figures reveal that women constitute roughly about 50 per cent of those affected by the AIDS epidemic, statistical surveys estimate that younger women have consistently higher rates of infection than men of similar ages (UNAIDS, 2002: 25). This can be attributed to the fact that, in general, women are at a greater risk of contracting the virus than men. It is estimated that in sub-Saharan Africa more than 55 per cent of infected young people are women, compared with around 60 per cent in South and South-East Asia (North-South Institute, 2003: 3).

Dissecting these figures further, of all women infected with HIV/AIDS, 70 per cent are estimated to be women between 15 and 25 years of age (World Bank, 1997). Within this age group, the proportion of pregnant women who are HIV-positive is constantly increasing. According to UNAIDS (2002:23), whereas the median HIV prevalence rate among pregnant women in urban areas in Botswana went up from 38.5 per cent to 44.9 per cent, in Zimbabwe, it rose from 29 per cent in 1997 to 35 per cent in 2000 and in Namibia, it rose from 26 per cent in 1998 to 29.6 per cent in 2000. (The table on page 320 shows the growing proportion of HIV-positive pregnant women in 20 African countries, between the ages of 15 and 24 years).

In most of the developing world, the increasing spread of the virus amongst younger and pregnant women is attributable to social and cultural practices that encourage older men to have sex with younger women, and restrict women's freedom in negotiating sexual practices. The virus also spreads to a very large extent through vertical transmission from mothers to children, either during pregnancy and childbirth, or during breastfeeding. Statistics reveal that of the 600,000 children who have AIDS worldwide, about 90 per cent are from sub-Saharan Africa, almost all of whom acquired the virus from their mothers during pregnancy (Saloojee and Violari, 2001: 670).

### *1.2.2. Access to medicines for pregnant women with HIV/ AIDS*

Medical insights point to the tremendous impact of ARV drugs in reducing the transfer of the virus from mother to child during pregnancy. There are several methods of administering them to achieve this. For example, according to Saloojee and Violari (2001: 673), ideally, a longer treatment with Zidovudine, that starts from the 28th week of pregnancy, is better than a shorter course, that starts from the 36th week onwards, in reducing viral loads (see also Gottlieb, 2000: 915). In developing countries, where almost all of the mother-to-child transmission occurs, there can also be cheaper and more effective ways of reducing such transmission. Another drug, Nevirapine, when administered to the mother at the time of delivery, and when given to the baby in the form of a single dose within 72 hours of childbirth, reduces viral transmission by 47 per cent. The cost of this dose (for both mother and child) is estimated to be US \$4 (Saloojee and Violari, 2001).

This gives a more urgent dimension to the issue of access to ARV drugs by pregnant women in developing countries, since these drugs are not only very important for the well-being of the pregnant women themselves,<sup>22</sup>

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<sup>22</sup> Pregnant women with AIDS are prone to severe maternal complications. According to some reports, AIDS is the largest cause of maternal deaths in several African countries, for example South Africa. See for example, Sidley (2000), for an account of the impact of AIDS on pregnant women and their mortality rates in South Africa.

but also help them prevent passing on the virus to their children.<sup>23</sup> Given this special importance of ARV drugs to pregnant women in developing countries, they should be assured of equal, if not preferential, access to these drugs.

### 1.2.3. *General reproductive health needs*

Even apart from the issue of HIV/AIDS, there are other issues in women's reproductive health that deserve immediate attention. These have mainly to do with lack of access to fertility control methods, to drugs that cure general sexually transmittable diseases (women are, once again, more susceptible to such infections) and to basic maternity care (Tinker et al, 2000: 2).<sup>24</sup>

Just as for ARV drugs, it is possible to make the argument that all medicines that are required for the overall health and well-being of pregnant women in developing countries should be provided at cheaper costs by pharmaceutical manufacturers or by government agencies after their procurement. But at present there is no strong basis to argue for such preferential treatment for all women, especially since the drugs in question may not be patent-protected. To advance such an argument, a survey is needed that would look at the kinds of drugs available to tackle the reproductive health problems of women in developing countries, distinguishing between those that are patent protected and those that are not. Where drugs are patent-protected, such a survey should be able to

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<sup>23</sup> The literature is replete with several other difficulties that can arise during treatments using ARV drugs. Increased viral resistance to such drugs and severe side-effects are some of them, apart from problems with efficient distribution and administration of the drugs, which are discussed in section 2.4.1 of this study. Therefore, the argument here on the effects of such drugs on pregnant women with HIV is not an absolute one. However, it can be argued that pregnant women with HIV should be given access to every possible way that exists to prevent the transmission of the disease to their offspring.

<sup>24</sup> Women are also more prone to general diseases, such as malaria and tuberculosis, due to health problems caused by anemia and malnutrition. These have not been discussed here, since they are beyond the scope of this paper. For more information, see for example, World Bank, 1997.

record price differences in those drugs before patent protection within the country and after. Such information is not readily available and the scope of the study does not allow for this kind of original work.

### **1.3. Coping with price rises: designing equitable access to medicines at the national level**

The two AIDS cases in South Africa and Brazil prompted the international community to react with a variety of solutions to these issues. The Doha Declaration on the TRIPS Agreement and Public Health, adopted by the WTO in 2001 (WT/MIN(01)/DEC/W/2), clarified that the TRIPS Agreement should be interpreted in favour of public health concerns, and it reconfirmed the relevance of Articles 7 and 8 of the TRIPS Agreement to its overall implementation (Correa, 2002). Another major achievement of the Declaration was the extension of the deadline for LDCs: Paragraph 7 of the Doha Declaration gives LDCs until 2016 to comply with the provisions of the TRIPS Agreement on patents and undisclosed information with respect to pharmaceutical products. The United Nations also adopted a Declaration of Commitment on HIV/AIDS in 2001, which seeks to address the problems of access to medicines faced by people infected by HIV/AIDS. This Declaration deals with many aspects of HIV/AIDS eradication, including inequalities faced by women.

At the national level, coping with price rises and ensuring equitable access has two aspect. The first is to see how countries can limit the price rises that can potentially result from stronger IPR protection. The TRIPS Agreement itself, in Article 8 Paragraph 1, clearly gives priority not only to the public interest in sectors of vital importance to social, economic and technological development, but also to public health and nutrition. In this regard, countries can use some aspects of the flexibility contained in the TRIPS Agreement itself. But providing medicines at affordable prices is only one factor in ensuring equitable access to medicines within developing countries. According to the *WHO Medicines Strategy 2002-2003*, apart from affordable prices, reliable health and supply systems, rational selection and sustainable financing of drugs, there are three other factors that affect access to medicines. These factors are in turn dependent on

efficient national health policies and drug procurement and supply systems created by such health policies.

### *1.3.1. Options within the TRIPS Agreement to ensure affordable prices*

The TRIPS Agreement contains some flexibility, albeit limited, that countries can use to ensure affordable prices. That the Agreement does not define the requirements of novelty, inventive step and commercial application, and also leaves the term “patentable subject matter” undefined, offers an important avenue of flexibility for developing countries. This enables countries to restrict patent-scope for social and economic reasons.

Article 31 of the TRIPS Agreement on compulsory licensing is another provision that can be used by countries to deal with accessibility and affordability of life-saving drugs. The provision is to be used subject to certain procedural requirements listed thereunder.<sup>25</sup> The Doha Declaration has once again, in an attempt to clarify the terms used in Article 31, affirmed that member countries have the right to grant compulsory licences and that public health crises can constitute a condition of “national emergency” (See Paragraph 5(c) of the Declaration). Furthermore, according to Article 31(k), compulsory licences can be granted to remedy anti-competitive behaviour. This can be used by developing countries to

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<sup>25</sup> Under Art. 31, the following conditions need to be fulfilled for the granting of a compulsory licence:

Such an authorization should be based on a consideration of individual merits (Art. 31(a)); the proposed user should have made efforts over a reasonable period of time to secure a voluntary licence on reasonable commercial terms, except in cases of national emergency, extreme urgency or public non-commercial use (Art. 31(b)); the scope and duration of the use should be limited to the purpose for which it was granted (Art. 31(c)); such a licence should be non-exclusive (Art. 31(d)); the use should be predominantly for domestic consumption (Art. 31 (f)); such authorization shall be terminated when the circumstances that led to its grant cease to exist (Art. 31(g)); the right holder will be paid adequate remuneration in the circumstances of each case, taking into account the economic valuation of the authorization (Art. 31(h)); the legal validity of the licence and the remuneration will be subject to judicial or other forms of independent review (Art. 31(I)), such a licence can be issued to remedy anti-competitive behaviour (Art. 31(k)).

deal with anti-competitive prices of firms – such as monopoly pricing, collusion and other tie-up arrangements, through grant of licences.<sup>26</sup>

Developing countries can also use the principle of exhaustion of rights to decide whether they wish to allow parallel imports or ban them, by opting either for regimes of international exhaustion (allowing parallel imports) or national exhaustion (banning parallel imports). Stronger patent protection, when coupled with the ability of the patent holder to segment and control markets through mechanisms, such as a ban on parallel imports, is also responsible for price rises. This is because the ability to restrict competition often induces firms to resort to monopoly pricing. Article 6 of the TRIPS Agreement excludes questions of exhaustion of rights from the purview of the Agreement, and Paragraph 5(d) of the Doha Declaration has further clarified that countries can choose any regime of exhaustion, as they deem fit.

### 1.3.2. *Rectifying inefficiencies in national drug procurement and supply systems*

Assuming that drug companies are persuaded to offer ARV drugs to pregnant women at affordable prices in all developing countries,<sup>27</sup> whether national governments are able to procure the quantities of drugs required by the women in their countries effectively, and, if so, whether they are able to distribute them efficiently and equitably, depends on the presence of good public health systems and well-planned health-sector strategies. Otherwise, such drugs most probably will not reach their true beneficiaries – in this case, pregnant women suffering from HIV/AIDS.

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<sup>26</sup> See Gehl Sampath (2003) for a more detailed discussion on this.

<sup>27</sup> As a result of the waiver of 30 August 2003 following Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health, developing countries who lack the capacity to produce such drugs themselves can import them from another developing country which possesses the manufacturing capabilities. This waiver relaxes the procedural requirement under Article 31 of the TRIPS Agreement that the drugs manufactured through compulsory licences should be predominantly for the domestic market of the country issuing those licences.

National health policies have a great impact on the quality of public health in a country since they not only affect the relationship between public agencies (which provide health care), private agencies and firms (drug suppliers/providers of care), and consumers, but they also affect the entire public distribution mechanisms, including wholesale distribution and retail dispensing through the government drug supply systems for health and through private enterprises (WHO, 1997:14). Health policies determine health infrastructures, how markets are segmented (either through market mechanisms or through State regulation), how many medical services are available at each level (primary, secondary and tertiary), how health awareness strategies are implemented, and whether drugs and health-care services reach the end target groups or not.

Developing countries generally have extremely ineffective and uncoordinated health policies that affect all the other determinants of access to essential medicines listed above – reliable supply systems, rational selection and financing of drugs (procurement). Most of these countries fall short of the WHO recommendations of relying on sustainable financing of drugs, either through government revenues or through social insurance schemes (Watal, 2001). Owing to extreme inefficiencies in the selection and procurement of drugs, developing countries are prone to large-scale wastage of government revenues that could otherwise be channelled into drug procurement.<sup>28</sup> This, coupled with the absence of social and health insurance schemes, means that 50–90 per cent of all essential drugs have to be bought by the patients themselves in developing countries (Quick, 1999).

There are other major problems with national drug procurement and supply systems. Public health systems in developing countries have not been responding adequately to the urgent demands of emerging diseases. For example, the HIV/AIDS epidemic has assumed huge proportions despite the availability of research results and information on every possible means of transmission and its avoidance. A major reason for this is the delay on

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<sup>28</sup> It is estimated that countries in Africa waste more than two thirds of the tax money allocated for drug procurement, preventing it from being effectively utilized (Watal, 2001: 4, citing World Bank 1993).

the part of governments in developing countries to create awareness of the disease and to foresee the impacts of other national policies on the spread of the epidemic.

Secondly, equitable access to medicines at the national level depends mostly on how solutions for expeditious access to particular drugs, such as ARV drugs, operate within broader health sector strategies and distribution networks in countries.<sup>29</sup> The diversion of drugs intended for the poor after they reach the country in question is a major problem. Mainly prompted by profit-seeking, drugs either find their way back into developed-country markets, where they compete with the normally priced versions of the same drug, or they are diverted into private pharmacies in the country to which they are supplied (Kilama, 2004). The flooding back of such cheaper versions into developed-country markets (so called "parallel exports") is often cited as a major cause of loss of revenue, also leading to diminished R&D incentives for pharmaceutical firms (Maskus, 2001). Developing countries need to tackle the outflow of cheaper drugs into more profitable markets more effectively if they are to use the flexibility given to them by the exhaustion principle.

Diversion of drugs also occurs within the recipient country, to private pharmacies, as a result of corruption within the local drug supply systems. Examples of such behaviour within developing countries abound. With regard to the AIDS epidemic, according to reports, AIDS drugs that were supplied to Uganda at subsidized prices for the infected poor in 2002 were diverted to private pharmacies in the country (Anyama, 2002). Such corruption in local supply systems is a result of several systemic factors: lack of regulatory controls, lack of appraisal mechanisms for drug distribution within countries and unethical behaviour amongst health-care professionals (Anyama, 2002).

Finally, a good health infrastructure remains the biggest problem, even in some of the larger developing countries. The absence of clinics/dispensaries in many rural areas, makes the efficient distribution of

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<sup>29</sup> See Prescott (1998: 307-314) for an investigation of how ARV drugs fit into broader national health strategies.

important medicines seem an improbable goal (Kilama, 2004). Moreover, health strategies in developing countries often fail to integrate health information and awareness programmes that target women about the health/medicinal choices available to them and the factors that should influence their choice.

### *1.3.3. Taking equity and gender concerns on board: aspects for reform*

Owing to the intricate relationship between gender, poverty, health and location, several national policies and priorities affect women's health. Apart from health policies, general economic, education and other gender-related policies have the potential to affect women's access to medicines since they shape the efficacy of distribution networks and deployment of health-care resources. Social and cultural rules, customs and morals also play a major role in shaping women's attitudes towards reproductive health issues.

Macroeconomic policies that seek to promote economic growth create social winners and losers, at least in the short or medium term, and increase poverty in certain strata of society. This creates conditions favourable for the exploitation of women and the spread of diseases such as AIDS. An oft-cited example in this regard is the macroeconomic reforms undertaken within the framework of structural adjustment programmes, and their impact on the status of women in developing countries. Several studies have sought to establish a link between such programmes and the creation of conditions that place women in especially poor and vulnerable situations that are conducive to the spread of AIDS. For example, in India, the structural adjustment reforms implemented under the New Economic Policy of 1991, are said to have led to increased poverty amongst women, since they caused large-scale movements to urban areas while reducing opportunities for women in the formal sector. Forced to find jobs in the informal sector, women were pushed into prostitution which increased their risk of contracting AIDS (Upadhyay, 2000).

However, as Jones (1998: 59) rightly suggests, evidence on structural adjustment programmes does not support the claim that these programmes reduce household incomes, in the medium term. Therefore, measuring the extent to which structural adjustment may place women in a more vulnerable position than men by intensifying already existing gender inequalities is a difficult task and more research is required to quantify this effect, if any.

Gender-bias in other policies and regulations, such as education policies, property laws and marital laws, goes a long way in deciding how women are empowered domestically. Such bias has an impact on women at different levels and clearly affects their awareness on reproductive health issues, apart from influencing their negotiating powers vis-à-vis restrictive social customs that affect their sexuality. Women who are less educated are less able to bargain with men, thus putting them at greater risk of diseases such as HIV. Illiterate women are also more likely to be unemployed, forcing them to depend on prostitution or sexual relationships for their economic needs (Over, 1998: 47), and again making them more vulnerable to diseases like HIV. Therefore all these policies play an important role in determining whether or not women are provided with equitable access to health services, and when provided, whether or not, they make suitable choices.

Finally, several social, religious and cultural biases exist in countries, which make women's health a subordinate priority. For example, where family incomes are limited, prevailing gender stereotypes in many developing countries result in priority being given to male nutrition and health above similar female needs within families. There is therefore a need for assertive policies to target social, religious and cultural biases that deter women from freely exercising their right to health.

The following are some of the main aspects that public health systems need to consider in order to promote equitable drug distribution mechanisms and gender equity:

- (a) Mechanisms – legal, regulatory and institutional – for the elimination of monopsony practices within developing countries,

that may be caused by central procurement of vaccines/drugs. These are especially necessary in the case of highly priced drugs, such those for treating AIDS. In such cases, several interventions have been proposed to ensure that bulk purchasing and voluntary tier-priced agreements cater to the interest of all parties involved (Grace, 2003). These range from effective contract design, efficient decision-making, more regulatory control and minimizing opportunistic behaviour by governmental and other agencies in the tendering processes (see Grace, 2003: 35-40 for a detailed discussion of these). Governments should consider introducing such mechanisms in their public health systems.

- (b) Governments have a major responsibility for eliminating public sector rigidities in disease recognition and prevention programmes as well as for improving coordination of the various institutional relationships and responsibilities. Especially in developing countries, where most of the people have no medical insurance, the efficacy of the health care system depends on how well government institutions – medical, scientific, research-oriented and political – cooperate with one another.
- (c) The specific needs of women in terms of their reproductive health, and the impact of socio-religious customs in terms of conditioning their accessibility to medicines and health choices, are essential considerations in designing and improving the health infrastructure of developing countries. Specific priorities and policies need to be devised that aim at informing women about their health needs and empowering them (World Bank, 1997: 4; Tinker et al., 2000).<sup>30</sup> There to be a closer link between health sector strategies and enhancing awareness among rural populations through information dissemination on better food and nutrition, safe water, general and sexual hygiene, family planning, immunization and prevention and control of sexually transmitted diseases.

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<sup>30</sup> Countries should aim at the creation of gender-sensitive institutions and policies (discussed in subsection 3.3.2 of this study).

## 2. THE TRIPS AGREEMENT, AGRICULTURE AND GENDER

As mentioned in the introduction, Article 27(3)(b) of the TRIPS Agreement provides for intellectual property rights on life forms, including plant varieties. According to this Article, “Members may also exclude from patentability [...] (b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof”. (Article 27.3(b), TRIPS Agreement).<sup>31</sup>

Intellectual property rights relating to agricultural plant varieties and biotechnological inventions can have several implications for farmers in developing countries in general, and for women in particular, given the continuing trend of “feminization of agriculture”. The first subsection explores the general issues in agricultural biotechnology and their impact on agricultural productivity and competitiveness, and on access to farming inputs. The second subsection then focuses on how these impacts affect women farmers in particular, and how to address these issues.

### 2.1. Article 27(3)(b) of the TRIPS Agreement: implications for seed use and agriculture

Women have long played a crucial role in all stages of agriculture in developing countries – farming, processing of agricultural products, storing and transporting of farm products, harvesting and marketing (Zdunnek and Ay, 1999: 219). About 80 per cent of sub-Saharan African agriculture is handled by women, and elsewhere in the developing world too agriculture has increasingly become a woman’s occupation. Women in sub-Saharan Africa are responsible for almost 90 per cent of food processing, 80 per

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<sup>31</sup> Prior to the TRIPS Agreement, the protection of life forms was controversial, although allowed under some jurisdictions. The Union for Protection of Plant Varieties (UPOV), 1972 allowed for breeders’ rights on plant varieties, and several countries were part of the Union. In the United States, patents on micro-organisms were allowed after the *Diamond vs. Diehr* case in 1980.

cent of food storing and transportation of farm products and around 60 per cent of all work to do with harvesting and marketing (Zdunnek and Ay, 1999). Even outside Africa, rural women remain the mainstay of all staple food crop production. Women farmers also make significant contributions to the conservation of agricultural germplasm in developing countries.<sup>32</sup> Yet, as a result of restricted access to farming resources and inputs on the grounds of gender, agricultural growth remains weak in developing countries (Ezumah and Ezumah, 1996).

### 2.1.1. *Agricultural biotechnology and farm-level impacts*

There are several advantages of agricultural biotechnology for developing countries. Techniques of modern biotechnology such as diagnostics, molecular breeding and plant tissue culture offer the possibility of improving conventional plant research through an increased understanding and diagnosis of plant and animal pathogens (ECA, 2002: 80). Genomics can help in the creation of molecular markers, which, by assisting selection, crossing of plant varieties and generation of information on taxonomic affiliation of plant species, help in more targeted plant breeding. Micro-propagation techniques can help not only in rapid propagation of any chosen plant material, but also in the creation of disease-free plant varieties.

Genetic modification technologies have the potential to increase food security in developing countries (see, for example, Juma and Konde, 2002; Konde, 2003). The present market for genetically modified varieties of agricultural crops consists mainly of insect-resistant and herbicide-tolerant traits.<sup>33</sup> Insect-resistant (or Bt) varieties are agricultural varieties that have been modified to contain a gene from the bacterium *Bacillus Thuringiensis* (Bt). This enables the crops to produce toxins against certain insects, keeping them safe from infestations throughout the season. There are also crops engineered to show resistance to several forms of herbicides. This

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<sup>32</sup> For a detailed discussion of the role played by women farmers in this regard, see Howard, 2003.

<sup>33</sup> Varieties that contain both traits together, as well as virus-resistant varieties, are also available to a limited extent. For more on the global distribution of GM crops according to traits and crop types, see James, 2002.

enables farmers to use stronger pesticides for weed-control around farms. Increased yields as a result of certain genetically modified (GM) varieties (specifically Bt cotton) have been observed in several countries. Evidence gathered from the Mathakhani regions of South Africa reveals that Bt cotton resulted in 18-per-cent and 60-per-cent increases in harvests in two successive seasons (Ismael et al., 2001:16). Bt cotton has also been instrumental in reducing farming costs in China, where, as a result of using this variety, the need to spray pesticides decreased from over 12 times a season to just 3 or 4 times a season (Pray et al, 2001: 821).

But at the same time, IP rights on agricultural varieties – whether patents or plant breeders’ rights – have the effect of shifting power in the world food system towards seed companies (Tansey, 2002: 7). Since such intellectual property rights on seeds and other agricultural inputs can lead to the creation of seed monopolies, an increase in the prices of new varieties of seeds is expected (see World Bank, 2002, chapter 5). Genetically modified varieties can also contain what is now commonly known as “genetic use restriction technologies” (or GURTs) or technology protection systems (Spillane, 1999; Pray and Naseem, 2003). These terms denote technologies that are built into GM seeds that try to restrict their sowing back without adequate payments to the technology owners. One such technology is the terminator technology, which makes it possible to incorporate dormancy characteristics into the seeds, so that they cannot be saved and sowed back again. This technology can impose economic costs (since the farmers have to buy new seeds at the end of each season) and adversely affect the social practices of farming communities in developing countries to save/exchange seeds (Dutfield, 2000: 48-49). Intellectual property rights can, under some circumstances, also lead to improper use and commercialization of the germplasm that belongs to farmers in developing countries, without due benefit-sharing.<sup>34</sup>

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<sup>34</sup> Notwithstanding laws on access to genetic resources and benefit-sharing, tracing the source material in the case of plant varieties, and hence sharing benefits with the original holders of the resource, may be a much more difficult task (and in many cases, almost impossible) in practice because plant varieties are the product of many generations of variations.

## **2.2. Women and technological change in agriculture**

Historically, women have been systematically excluded from modernization processes in the agricultural sector in the colonial and post-colonial policies of developing countries (Zdunnek and Ay, 1999:219) This has had a strong bearing on productivity differences and income levels of men and women in agricultural occupations (Zdunnek and Ay, 1999: 219). Even today, there is a general tendency for policy-making to target mainly men when introducing new technologies. This undermines the role of women as catalysts of transition and modernization in agricultural systems.

Research also tends to be greatly gender-biased, especially in the newly emerging, high- technology sectors, such as biotechnology. Private agricultural research is much more likely to target rich farmers due to the profit motive (Spillane, 1999: 5). For example, as Spillane notes, herbicide-resistant crops can offer extremely reliable weed-control for resource-poor farmers in developing countries, most of whom are women. Given their lack of financial ability to buy effective herbicides, over 60 per cent of their time is spent on weed control (Spillane, 1999: 15). Moreover, for several weed problems in developing countries, no effective control mechanism exists. Given this, one can make a convincing case for the creation of new herbicide-resistant crops that cater to the specific weed problems of farmers in developing countries, but it is highly unlikely that the private sector will take up this challenge (Spillane, 1999:15).

As a result, already marginalized as subsistence farmers, women tend to be even more marginalized by commercial agriculture and its focus. Existing realities, such as little or no access to land, exclusion from professional training and lack of technology awareness, result in oversight of the important role that women play, as local plant breeders, preservers of agricultural biodiversity and resource managers at the farm level (Spillane, 1999: 15).

### 2.3. Plant variety protection and farmers' rights in developing countries

Developing countries can promote overall development and sustainable agriculture through appropriate *sui generis* laws on plant variety protection. Plant breeders' rights are a system of incentives for breeders that encourage them to continue with their breeding activities by promising them returns on their investment. There is no reason why well-tailored plant variety laws in developing countries should not influence local breeders to do so, either on their own or through collaborative efforts. Plant variety protection mechanisms can lead to the creation of incentives in local contexts for increased conventional breeding through, for example, micropropagation techniques. Spillane (1999:11) presents examples of micropropagation work in developing countries that has resulted in disease-free plant varieties to poor farmers, such as taro in Samoa, multipurpose trees in Kenya, potatoes in Viet Nam and cassava in Colombia. But for the benefits of such research results to accrue to the farmers, developing countries need to have ongoing plant breeding programmes into which newer techniques can be incorporated (Spillane, 1999: 7). Effective plant variety protection can also help governments include local research priorities into public sector research or private-public research programmes.

There are no studies that corroborate the impact of either plant variety protection or other intellectual property rights on gender inequalities in agriculture. But given the major role that women play in agriculture in developing countries, plant variety protection laws should be designed to recognize this major role and to encourage women as technology creators and users within their respective national and local contexts.

#### 2.3.1. *Farmers' rights versus farmers' privileges*

One system that has been promoted as a viable *sui generis* option for developing countries is the 1991 Version of the Convention of the International Union for the Protection of New Varieties of Plants (UPOV). The UPOV was set up soon after the Second World War to encourage breeders in the newly developed countries by granting plant breeders'

rights on new crop varieties. The UPOV Convention has undergone three revisions, in 1972, 1978 and 1991 (Cullet, 2001).

Although several developing countries have ratified the Convention since 1995, the UPOV Convention may not be best suited to address the needs of farmers in developing countries. These farmers largely rely on annual seed savings, and this is especially true of women farmers (Gammage et al., 2002: 83). The UPOV Convention, in this regard, provides for an optional provision on “farmers’ privilege”. According to Article 15 of UPOV Convention 1991, if Members wish to, they can permit farmers to replant specific varieties for propagating purposes within their own farm holdings, out of the products that they obtained from planting such a protected variety in the first place. However, the Convention urges member countries to grant this privilege to farmers only “within reasonable limits and subject to safeguarding of the legitimate interests of the breeder”, because if the privilege were interpreted very broadly, it might affect the incentive of breeders to invest in the creation of new varieties (See Article 15). Moreover, Article 15 of the UPOV Convention does not permit seed exchange, a practice common amongst small farmers in developing countries.

In contrast to this, the concept of farmers’ rights that has been developed under the auspices of the FAO provides a much broader framework under which the needs of farmers in developing countries can be addressed. Farmers’ rights are defined in Resolution 5/89 of the FAO as: “rights arising from the past, present and future contributions of farmers in conserving, improving and making available plant genetic resources, particularly those in the centres of origin/diversity”. This concept of farmers’ rights is now enshrined in Article 9 of the FAO International Treaty on Plant Genetic Resources for Food and Agriculture, which is set to come into force on 29 June 2004.

The concept of farmers’ rights as contained in Article 9 of the Treaty is a broad one that goes beyond the implications of the TRIPS Agreement; it can be made to address several aspects of agriculture in developing countries, including traditional agricultural knowledge, rights of farmers on

sowing back saved seeds and benefit-sharing issues. This concept is in conformity with Article 27(3)(b) of the TRIPS Agreement, and national laws on plant variety protection in developing countries can rely on the concept of farmers' rights as elaborated by the FAO in Article 9 (see in particular, paragraph 3 of that provision) of its Treaty in order to support and foster the rights of farmers on their germplasm.

### 2.3.2. *GM technologies and commercial biases in plant breeding*

Since IP rights are mainly an impetus to private research, they may end up promoting research in varieties that promise high commercial returns. Developing-country governments ought to devise other policies, in addition to effective plant variety protection laws, that promote the creation of locally useful GM varieties, such as locally beneficial herbicide-resistant crops. This can be done either through local research or private-public research collaboration. Developing countries also have the option to ban/delay the local adoption of already existing GM varieties. The flexibility to do so is contained in the Cartagena Protocol on Biosafety that came into effect in 2003.

It is not yet clear as to how intellectual property rights per se encourage commercial technologies. The Conference of the Parties to the CBD invited the UPOV to examine the implications of intellectual property protection on GURTs, with respect to indigenous and local communities and on small farmers, indigenous and local communities and farmers' rights (See Decision VI/ 5, adopted at COP6 in 2002). At COP7 held in February 2004, the Conference of the Parties also invited UNCTAD to analyse the impact of IP rights in the transfer of biotechnologies and possible disclosure requirements in patent applications. More work is required on the impact of such restrictive technologies and on assessing the implications of IP protection on GURTs, with respect to indigenous and local communities, and on small farmers, indigenous and local communities and farmers' rights, and on the legal safeguards that can be put in place to mitigate such impacts.

### 2.3.3. *Making women farmers an integral part of technological change*

Several national policies are required to address and rectify the socio-political aspects of gender biases in agricultural research and related technological change.

Developing countries should focus on the creation of *sui generis* laws on plant variety protection that recognize and protect the different aspects of farmers' rights. Sustainable development in agriculture will depend on the proper design of such laws. *Sui generis* laws on plant variety protection can also deal better with issues of protection of traditional agricultural knowledge and specific characteristics of such knowledge, such as community ownership (see box 1 at the beginning of this chapter).

Making women partners in technological change will help them increase their productivity. Rural women in developing countries farm essentially on small-scale land-holdings that very often do not even belong to them or their families. For them to reap the benefits of GM technologies, research into newer varieties that are more suited for small farmers should be encouraged, both through conventional breeding and genetic modification technologies. A noteworthy attempt in this regard is the work of CIMMYT (International Centre for Maize and Wheat) programme with Kenya Agriculture Research Institute (KARI) and the Zimbabwe Biotechnology Research Institute to develop Bt maize varieties for small farmers in Africa, with support from the Novartis Foundation.

Lastly, as with access to essential medicines, other national policies can play a major role in reducing the distortions that may be induced by international institutional rules. There is a need for more gender-sensitive institutions in developing countries, especially those that target women's role in technological change. Given the major role of women in agriculture in these countries, policies should be much more gender-accountable (i.e. more responsive to women's interests) so as to encourage women to harness newer technologies such as agricultural biotechnology. Several aspects help assess if institutions in developing countries are gender-sensitive or not, including institutional and organizational history, gender-

cognitive contexts in which such institutions operate, the organizational structure in the country and its gender machinery, gender incentives and gender-related accountability within the countries (See Goetz, 1997, chapter 1, for more details).

### **3. CONCLUSIONS**

None of the provisions of the TRIPS Agreement discriminate on the grounds of gender. There is no recorded evidence of the impact of the Agreement on either reduced access to medicines for women in particular, or on the impact of plant variety protection or other intellectual property rights on greater gender inequality in agriculture. The marginalization of women in development processes is mainly because of national factors that allow for such gender inequalities to continue in the local contexts. But owing to already existing inequalities, it is possible that some of the impacts of the TRIPS Agreement are felt much more by women than by men. This paper has analysed this in two instances: access to medicines for HIV/AIDS and reproductive health and agriculture.

With regard to access to medicines, a good case can be made for access to HIV/ AIDS drugs for pregnant women, due to its potential to mitigate the transmission of the virus to newborn infants. But given the Doha waiver that has already been negotiated, the onus for giving women such preferential access rests with national drug procurement and supply systems. Acknowledgements that were long due on the intricate nexus between gender, poverty, lack of access to essential facilities and ill health, are eventually being made, and are leading to reforms in many health sector policies (see, for example, Nanda, 2000; Rosenberg and Wilson, 2000). But there is still a long way to go in attaining the goal of gender equity in health in developing countries. National health policies should aim at rectifying inefficiencies in drug procurement and supply systems by putting in place: (a) legal, regulatory and institutional mechanisms for the elimination of monopsony practices within developing countries that cause diversion of drugs; (b) mechanisms that eliminate public sector rigidities in disease recognition and prevention programmes and help to better coordinate the various institutional relationships and responsibilities; and (c) mechanisms

that recognize existing gender inequalities in health care perceptions and improve awareness and the negotiating power of women to freely exercise their right to health.

Developing-country governments should also use the flexibility contained in the TRIPS Agreement as far as possible to avert price rises that can accompany patent protection in future. Furthermore, developing countries should consider working towards creating consensus at the international level for according women preferential access to AIDS drugs, to the extent possible. For example, although the Global Fund to Fight AIDS, Tuberculosis and Malaria projects that over 500,000 people will begin to receive ARVs by 2009, it may be necessary to specify pregnant women as a preferential category. But extending the argument for according preferential access to women for all their reproductive health needs requires more research and information so that a clear case can be made concerning the impact, if any, of patents on price rises of the medicines needed for women in developing countries to maintain their reproductive health.

Women farmers may not be able to benefit directly from modernization of agriculture and agricultural biotechnology due to gender biases that prevail in present agricultural research and technological change. Historically, technological policies in developing countries have neglected the role of women as technology creators and users, and hinder the active participation of women farmers in modern agricultural technologies. Privately funded agricultural research tends more to cater to the needs of richer farmers, thus neglecting the large numbers of resource-poor farmers' worldwide, most of whom are women. For plant variety protection to result in overall development and sustainable agriculture in developing countries, national policies should deal with eradicating these two gender biases effectively. Governments can play a critical role in enhancing the participation of women in technological change in agriculture and improving their access to land and other farming inputs. The concept of farmers' rights as contained in Article 9 of the FAO Treaty on Plant Genetic Resources, set to come into force on 29 June 2004 provides a good basis to deal with farmers' rights in general, and women farmers' rights in particular, to an extent that stretches far beyond the potential impact of the TRIPS Agreement on women.

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Developing countries should take adequate national measures to use the flexibility of the FAO treaty to boost women's role in agriculture.

**HIV prevalence amongst pregnant women**

Country	Major urban areas			Outside major urban areas		
	Year	Pregnant Women ages		Year	Pregnant Women ages	
		15-19 Median	20-24 Median		15-19 Median	20-24 Median
Botswana	2001	27.1	34.9	2001	26.6	46.9
Burkina Faso	1998	6.2	8.8		---	---
Burundi	1998	8.8	15.4	1998	24.0	14.3
Cameroon	2000	9.5	11.2	2000	9.3	14.1
Congo	2000	11.0	---		---	---
Côte d'Ivoire	1998	4.7	12.2	1997	7.5	12.1
Ethiopia	2000	8.9	17.6	2000	0.0	4.3
Haiti	2000	3.7	3.8	2000	3.7	3.8
Kenya	1997	12.5	16.2		---	---
Lesotho	1999	-25.0	-41.0	1999	-25.0	-41.0
Malawi	2001	13.6	25.7	2001	10.2	20.3
Mozambique	2000	13.0	14.7	2000	6.3	13.7
Namibia	2000	11.9	20.3	2000	11.9	20.3
Nigeria	2000	3.0	5.8	2000	3.0	5.8
Rwanda	1999	8.4	12.8	1999	4.2	7.6
South Africa	2000	16.1	29.1	2000	16.1	29.1
Swaziland	2000	22	42.2	2000	30.1	42.5
Tanzania, United Rep. of	2000	13.2	13.2	2000	16.3	16.3
Zambia	1998	16.7	26.8	1998	6	17.5
Zimbabwe	2000	27.1	34.8	2000	28.4	35.3

Source: Adapted from UNAIDS, Report on the Global HIV/AIDS Epidemic, July 2002: 14, where all data sources are indicated.

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## Chapter 9

# THE IMPACT OF WTO RULES ON THE PURSUIT OF GENDER EQUALITY<sup>1</sup>

### INTRODUCTION

The 2000 United Nations Millennium Declaration commits Member countries “to promote gender equality and the empowerment of women, as effective ways to combat poverty, hunger and disease and to stimulate development that is truly sustainable.”<sup>2</sup> Such a commitment is a particularly solemn one, but similar statements can be found in several international instruments, both binding and voluntary. Thus there can be no doubt that gender equality is a shared objective of the international community.

The political commitment on the part of the world’s governments to work towards equality between women and men was, for instance, already stressed in the Platform for Action adopted at the Fourth World Conference on Women in Beijing in 1995. On that occasion “gender mainstreaming” was adopted as a key strategy for promoting gender equality. At the meeting of the United Nations Economic and Social Council in 1997, the Agreed Conclusions defined mainstreaming as

“... the process of assessing the implications for women and men of any planned action including legislation, policies, and programmes, in any area and at all levels. It is a strategy for making women’s as well as men’s concerns and experiences an integral dimension in the design, implementation, monitoring and evaluation of policies and programmes in all political, economic, and societal spheres so that women and men

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<sup>2</sup> Furthermore, UN Member States include “equality” as one of the fundamental values essential to international relations in the twenty-first century. Equality means that “no individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.” (United Nations Millennium Declaration, UN General Assembly Resolution, A/RES/55/2, 18 September 2000, paragraph 6).

benefit equally, and inequality is not perpetuated. The ultimate goal is gender equality.”

However, the assessment of implications is particularly difficult in the areas of trade law and policy, which have generally been considered gender-neutral. This is due to the fact that the adjustment-costs dimension of trade liberalization was, until recently, underplayed, as was its differential impact on specific groups of the population. However, recent studies on trade and poverty<sup>3</sup> have documented the importance of the relationship, thus making a gendered analysis of international trade policy and rules a priority. A number of chapters in this publication provide further evidence of the differential impact of international trade in goods and services on women and men, with particular reference to the situation of women in developing countries. Such a differential impact, which applies also to other economic activities, has in some cases grown as a result of the process of global economic integration and the increasing participation (and in some cases marginalization) of developing countries. This situation underscores the need for well-targeted domestic and international policies and measures, aimed at addressing any negative impact of trade liberalization.

This chapter reviews the potential impact of current WTO rules on the ability of governments to pursue gender equality through domestic policies and measures. Section 1 briefly considers gender equality in the context of the interface between human development and human rights. The relevance of gender equality for both human development and human rights provides the perspective from which to gauge the impact of WTO law. Section 2 recalls the main terms of the relationship between human rights and development on the one hand and WTO rules on the other. Finally, section 3 assesses the implications of existing WTO law for the pursuit of gender equality, focusing not on the liberalization commitments for both goods and services, but on the behavioural rules that WTO Member States have agreed to in the various Uruguay Round Agreements.

Hence the chapter does not look at the distributive aspects of trade liberalization and rules (for instance, in terms of differential gains or losses from increased trade, or of implementation costs), which are obviously

fundamental. Rather, its main focus is on the constraints that existing WTO law may impose on the possibility to use “inwardly-directed” trade and trade-related measures<sup>4</sup> for the advancement of gender equality within the domestic jurisdiction. As such, it is part of the debate on the limitations posed by WTO rules on each WTO Member’s policy autonomy.

In addition, the better the impact of international trade liberalization on gender is studied and understood, the more the need for targeted policy interventions may be felt and, consequently, the more the potential constraints of current WTO rules can be appreciated. For this reason, and in the light of the complexity and broad reach of the WTO legal system, this chapter’s review cannot be deemed to be exhaustive.

## **1. GENDER EQUALITY: A KEY DIMENSION OF HUMAN RIGHTS AND HUMAN DEVELOPMENT**

Equality is both a simple and a highly complex idea that shapes the evolution of public policy in a large number of fields. The belief in human equality and the principle of non-discrimination on the grounds of gender are cornerstones of the human rights movement. Equal rights of men and women are explicitly mentioned in the Preamble to the Charter of the United Nations. All the major international human rights instruments include sex as one of the grounds on which States may not discriminate. Hence gender<sup>5</sup> equality is the key principle underlying the protection of

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<sup>3</sup> See, for instance, Ben-David and Winters, 2000; and Rodrik, 2001. More specifically, with regard to gender issues, see Cagatay, 2001.

<sup>4</sup> This term is borrowed from Charnovitz, 1998: 695. The chapter does not consider “outwardly-directed” trade measures that could be taken by WTO Members against States that allegedly violate human rights (e.g. a trade ban against goods produced by slave labourers).

<sup>5</sup> Social science usually makes a distinction between “sex” and “gender”: “sex” refers to the biological differences between men and women, while “gender” relates to the socio-cultural and historical characteristics that determine how men and women interact and apportion their roles. In the 1990s, social science moved away from an approach focusing on women and integrating “women in development”, towards an approach looking at “gender” (i.e. at the broader issues concerning the socially determined roles of and relations between men and women).

women's rights as human rights.<sup>6</sup> Indeed, most legal instruments and especially the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), refer to sex as a prohibited ground for discrimination. The principle of gender equality encompasses the prohibition of discrimination as well as the adoption of specific measures ("temporary special measures", in the language of the Convention) in favour of women in many areas, from health and education to employment and rural development.<sup>7</sup> Sex/gender discrimination is defined in CEDAW as "any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field" (Art. 1). The principle of non-discrimination is stated in CEDAW quite broadly, applying not only to State-enacted laws and regulations, but also to the behaviour of private individuals (see Arts. 2(e), 5 and 10(c)), and including both discriminatory purposes and effects.<sup>8</sup> However, women are not a homogeneous social group, but are differentiated according to such aspects as income, caste, age, marital status, household composition (e.g. whether male- or female-headed) or

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<sup>6</sup> For a general review of the legal discourse on gender and Human Rights, see Hernández-Truyol, 1999.

<sup>7</sup> See Art. 4.1: "Adoption by States Parties of temporary special measures aimed at accelerating de facto equality between men and women shall not be considered discrimination as defined in the present Convention, but shall in no way entail as a consequence the maintenance of unequal or separate standards; these measures shall be discontinued when the objectives of equality of opportunity and treatment have been achieved."

<sup>8</sup> Discrimination may take different forms. It is direct when norms or practices explicitly differentiate treatment on the basis of sex/gender; it is indirect when, although norms or practices do not make explicit reference to sex/gender, they include requirements that advantage persons of one sex. However, "not every differentiation of treatment will constitute discrimination, if the criteria for such differentiation are reasonable and objective and if the aim is to achieve a purpose which is legitimate under [human rights law]" (Human Rights Committee, Non-discrimination, General Comment 18, 10 November 1989). Discrimination is *de jure* when it is envisaged by law and *de facto* when, although the law is gender-neutral, discrimination exists in practice.

belonging to an indigenous community. Therefore, the prohibition of sex/gender discrimination, to be effective, must be applied in conjunction with the prohibition of discrimination on other grounds that may particularly affect women.

The principle of non-discrimination on the basis of sex is also affirmed in the Universal Declaration of Human Rights (UDHR, Arts. 2 and 7), in the International Covenant on Economic, Social and Cultural Rights (ICESCR, Arts. 2(2) and 3), and in the International Covenant on Civil and Political Rights (ICCPR, Arts. 2(1), 3 and 14), as well as in regional human rights treaties such as the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR, Art. 14), the American Convention on Human Rights (ACHR, Art. 1), and the African Charter on Human and Peoples' Rights (ACHPR, Art. 2). Within the African regional human rights system, a Protocol on the Rights of Women in Africa was recently adopted. An Arab Charter on Human Rights, also affirming the non-discrimination principle, has been adopted but is not yet in force. Furthermore, other relevant norms are found, such as in some international environmental treaties (e.g. Convention to Combat Desertification, Arts. 5 and 10), and in ILO Conventions (e.g. the Equal Remuneration Convention, 1951 and the Discrimination (Employment and Occupation) Convention, 1958).

In addition to international treaties, documents adopted in international conferences contain provisions on gender equality. Although not legally binding, these instruments may reflect existing principles of customary international law (such as several provisions of the Rio Declaration) or indicate the approaches prevailing in the international community, thus contributing to the eventual formation of customary rules. Particularly relevant to women's rights are the 1992 Rio Declaration on Environment and Development (Principle 20), Agenda 21 (Chapter 24), the 1993 Vienna Declaration on Human Rights, the 1994 Cairo Plan of Action on Population and Development, the 1995 Beijing Platform for Action adopted by the Fourth World Conference on Women, and the 1996 World Food Summit Declaration and Plan of Action.

The compound effect of all these international instruments, where the principle of gender equality is generally expressed in unequivocal terms,

renders it a broadly shared and accepted principle in the international community and one that partakes of the normative strength and primacy that human rights possess in international law. However, and particularly in the area of social and economic rights, a difference still exists between human rights obligations to respect (for instance by preventing denial or interference with a right) and protect (for instance requiring domestic implementing legislation), which are generally considered fully justiciable and enforceable through specific remedies, and obligations to fulfil (for instance by carrying out sensitization campaigns, creating an enabling environment for the realization of the right and allocating resources necessary to enjoy the right), which are general commitments to pursue a certain policy or achieve certain results. These are not immediately justiciable in all jurisdictions, although progress has been made in this direction in many countries and discussions are underway at the international level on introducing an individual complaints mechanism under the International Covenant on Economic, Social and Cultural Rights.<sup>9</sup> As with political and civil rights, economic and social rights – such as the right to food or the right to health – are *not* long-term aspirations. States are under an immediate obligation to do what they can to provide these rights.

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<sup>9</sup> For a more nuanced view, see Marks, 2003: 20, who states that obligations to fulfil “are typically not justiciable; that is, immediate individual remedies through the courts are not normally provided where the state falls short of its responsibilities with respect to these obligations, although there are still legal obligations. Thus states are required to take certain steps immediately in the direction of sound progressive realization of the right to health - for example, to avoid discrimination and to provide a core minimum level of realization.” The distinction between justiciable and non justiciable partly parallels the Kantian dichotomy between perfect and imperfect duties, explored by Sen: “It is important to see that in linking human rights to both perfect and imperfect obligations, there is no suggestion that the right-duty correspondence be denied. Indeed, the binary relation between rights and obligations can be quite important, and it is precisely this binary relation which separates out human rights from the general valuing of freedom (without a correlated obligation of others to help bring about a greater realization of human freedom). The question that remains is whether it is adequate for this binary relation to allow *imperfect* obligations to correspond to human rights, without demanding an exact specification of who will have to do what, as in the case of legal rights and specified perfect obligations.” (Sen, 2000: 495.)

Together with its fundamental role as a human right, (gender) equality plays a key role in the promotion of human development. The latter embodies a concept of development that goes beyond economic growth, to include the development of the human person as an outcome of development. Equality thus needs to be considered with respect to well-being, a significantly broadened concept with respect to “welfare” as generally understood in the utilitarian and welfare economics tradition. “The idea of human development focuses directly on the progress of human lives and wellbeing. Since wellbeing includes living with substantial freedoms, human development is also integrally connected with enhancing certain capabilities – the range of things a person can do and be in leading a life” (UNDP, 2000: 19).

Development is not only the acquisition of more goods and services, but also the enhanced freedom to choose, or capability to lead the kind of life one values.<sup>10</sup> On the other side, poverty is the deprivation of basic capabilities, not just lowness of income.<sup>11</sup> Although income inequality is of crucial importance, it does not exhaust all deprivations that lead to poverty, including unemployment, ill health, lack of education and social exclusion. Hence the emphasis needs to be put on the broader notion of economic (not just income) equality and freedom. Indeed, not always and automatically does income growth translate into individual achievements (“capabilities to function” or “functionings”) in terms of well-being and substantive freedoms.

The capabilities approach thus broadens the understanding of development to include both human well-being and freedom, which means widening the choices people enjoy in the political, civil, social, economic and cultural spheres. As such, “human development shares a common vision with

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<sup>10</sup> Capabilities are thus the substantive freedom to achieve alternative “functionings” combinations. Indeed, “living may be seen as consisting of a set of interrelated ‘functionings’, consisting of beings and doings. A person’s achievement in this respect can be seen as the vector of her functionings. The relevant functionings can vary from such elementary things as being adequately nourished, being in good health, avoiding escapable morbidity, and premature mortality, etc. to more complex achievements, such as being happy, having self-respect, taking part in the life of the community and so on” (Sen, 1992).

<sup>11</sup> See Sen, 2001, in particular chapter 4.

human rights. The goal is human freedom. And in pursuing capabilities and realizing rights, this freedom is vital. People must be free to exercise their choices and to participate in decision-making that affects their lives. Human development and human rights are mutually reinforcing, helping to secure the wellbeing and dignity of all people, building self-respect and the respect of others” (UNDP, 2002: 9). Furthermore, “if human development focuses on the enhancement of the capabilities and freedoms that the members of a community enjoy, human rights represent the claims that individuals have on the conduct of individual and collective agents and on the design of social arrangements to facilitate or secure these capabilities and freedoms” (UNDP, 2002: 20).

The body of rules that govern international trade represents one important example of such social arrangements. These rules need to be designed and interpreted with the ultimate goal of enhancing human development. Indeed, “economic growth, increased international trade and investment, technological advance – all are very important. But they are means, not ends. Whether they contribute to human development in the 21<sup>st</sup> century will depend on whether they expand people’s choices, whether they help create an environment for people to develop their full potential and lead productive, creative lives” (UNDP, 2002: 13).

## **2. THE PROMOTION OF HUMAN RIGHTS AND HUMAN DEVELOPMENT WITHIN THE WTO SYSTEM**

While no explicit reference to human rights is made, there seems to be little doubt that, as a matter of treaty interpretation, WTO law needs to be read and applied consistently with the human rights obligations of WTO Members.<sup>12</sup> This is obviously particularly important when interpreting the existing exceptions in WTO agreements. Furthermore, and again as a matter of treaty interpretation, WTO Members must respect, in the human rights as in other areas, customary and peremptory norms of international law (*jus cogens*),<sup>13</sup> as well as rules that result in general (*erga omnes*)

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<sup>12</sup> See for instance, Charnovitz, 1998; Howse and Matua, 2000; Marceau, 2002; Petersmann, 2003.

<sup>13</sup> See Vienna Convention on the Law of Treaties, United Nations Doc. A/CONF.39/27, 1969, Art. 53.

obligations (obligations vis-à-vis the international community). The boundaries of these categories – customs, *jus cogens* and obligations *erga omnes* – remain controversial, but the prohibition of discrimination on the basis of gender can, arguably, be considered as inching towards them.<sup>14</sup> Yet despite the advances at both the international and national levels, gender equality has not yet fully matured into customary international law. This is evidenced by the numerous substantive reservations made to CEDAW. However, all WTO Members are also Member States of the United Nations and as such are committed, specifically in the context of economic and social cooperation, to promote “universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.”<sup>15</sup> In case of conflict with other agreements, even in the case of *lex specialis* and *lex posterioris*, the provisions of the Charter prevail.<sup>16</sup>

However, the primacy of human rights norms in the area of gender equality, and the claim that they trump a WTO treaty obligation, would probably be possible only in those instances where a WTO Member –

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<sup>14</sup> Human rights instruments and their bodies, international jurisprudence, and the work of NGOs demonstrate the trend in the international arena towards general recognition of gender equality. Progress is also being made through the incorporation of the principle into State practice (see Wang, 1995) However, gender equality has not yet achieved the same recognition of the prohibition of racial discrimination. ICJ Judge Tanaka in the South West Africa cases stated: “We consider that the norm of non-discrimination or non-separation on the basis of race has become a rule of customary international law ...” (see South West Africa Cases, Second Phase, *ICJ Reports*, 1966: 293. See also the Case concerning the Barcelona Traction, Light and Power Company, Limited (New Application 1962) (Belgium v. Spain) (*ICJ Report* 4, 1970, para 3 at page 32), where the Court considered that obligations “towards the international community ... derive, for example in contemporary international law, from the outlawing of acts of aggression, and of genocide, as also from the principles and rules concerning the basic rights of the human person, including protection from slavery and racial discrimination”.

<sup>15</sup> See the Charter of the United Nations, Art. 52.

<sup>16</sup> See Art. 103, which states: “In the event of a conflict between the obligations of the Members of the United Nations under the present Charter and their obligations under any other international agreement, their obligations under the present Charter shall prevail.”

accused of breach of one of its WTO obligations – could justify its action by invoking a specific duty it bore for the realization of a “core” human right. For example, an established foreign service provider, which is refusing access to company-sponsored training to women, could be individually sanctioned, for instance with the withdrawal of tax benefits (a denial of national treatment), even in the absence of specific domestic legislation regulating the issue. Fortunately, there are not likely to be many such cases, as the instances of direct discrimination by gender are not pervasive. More cases could perhaps arise in the area of indirect discrimination. For example, a foreign financial service provider may adopt a solvency or collateral requirement, ostensibly for prudential reasons, which *de facto* excludes poor women from “bank loans, mortgages and other forms of financial credit”.<sup>17</sup> Again, a denial of national treatment could be envisaged.

Furthermore, the realization of gender equality as a fundamental dimension of the process of human development also involves the fulfilment of a number of human rights that are only matched by “imperfect” duties, namely for which no exact legal obligation and specific duty-bearer can be identified, but the realization of which call for many different actions over time by a variety of agents, often in cooperation. Actions of this kind are a matter of policy choice, and cannot be said to respond to a specific human rights obligation. In cases where the progressive realization of gender equality through the fulfilment of a women’s right, for instance in the area of food security or health care, leads to the adoption of policies and measures at domestic level which may run afoul of concurrent WTO obligations, such conflicts would need to be adjudicated through a balancing exercise in the context of a WTO dispute settlement proceeding.

In particular, non-discrimination may not be enough to overcome economic and social obstacles that hinder the achievement of equality between men and women. Therefore, governments may need to adopt “affirmative action” measures, conferring temporary advantages on women, with the long-term aim of achieving *de facto* gender equality. Policies and measures

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<sup>17</sup> For the specific right of women to have access to such resources and services, see CEDAW, Art. 13.

taken by a WTO Member in pursuit of gender equality would need to be justified according to the WTO rules governing exceptions. As noted, aside from the cases where specific obligations and especially peremptory, customary or *erga omnes* rules mandating the domestic action can be invoked, finding the right balance will remain difficult and controversial. There is no assurance that policies and measures, including national economic and social regulations aimed at achieving gender equality, would be met with deference, especially in the presence of the various “necessity” and “least-trade-restrictive” tests applied to determine whether a domestic law or regulation is compatible with WTO obligations. However, the Appellate Body encouragingly stated: “[t]he more vital or important [the] common interests or values pursued, the easier it would be to accept as ‘necessary’ measures designed to achieve those ends.”<sup>18</sup>

While human rights are not mentioned anywhere in WTO law, the notion of development has acquired a certain pre-eminence. The Preamble of the Marrakesh Agreement establishing the WTO, in its opening paragraph, recognises that international economic and trade relations should have among their objectives both the “raising of standards of living” and “sustainable development”. According to the customary canon of treaty interpretation,<sup>19</sup> the preamble contributes to delineating the context within which interpretation of specific provisions has to be conducted, in the light of the objectives of the instrument. In this way, these references establish a textual bridge between the pursuit of both human development and human rights and WTO law. The reference to standards of living, which was already present in the 1947 Preamble of the General Agreement on Tariffs

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<sup>18</sup> See Appellate Body Report, *European Communities—Measures Affecting Asbestos and Asbestos-Containing Products*, WT/DS135/AB/R, 12 March 2001, para. 172, where it restated the position already taken in *Korea – Measures Affecting Imports of Fresh, Chilled and Frozen Beef*, WT/DS161/AB/R, WT/DS169/AB/R, adopted 10 January 2001, paras. 163 and 166.

<sup>19</sup> As restated in the Vienna Convention on the Law of Treaties, 1969. In particular, Art. 31 states that a treaty “shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose.” The text of the treaty itself, “including its preamble and annexes” constitutes an important “context” for treaty interpretation as well as an expression of the treaty’s objectives.

and Trade (GATT), stresses one of the key capabilities necessary for human development.<sup>20</sup> The inclusion of the objective of sustainable development, which was added at the inception of the WTO in 1994, aligns this organization with the goals the international community has set for itself on numerous occasions. Sustainable development and human development are by no means incompatible or alternative concepts. On the contrary, the two are mutually supportive and are sometimes made to converge in the notion of “sustainable human development.”<sup>21</sup>

As is well known, there are many approaches to development, and the economic literature abounds with analyses of what the concept means and how it could be achieved. Yet more important, from a legal perspective, is to try and discern what may be the rights and obligations that the pursuit of the “development” objective entails. In this regard, the Declaration on the Right to Development<sup>22</sup> represents an important source also with regard to gender equality. This Declaration advances a number of important normative claims. First, it defines development as “a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the wellbeing of the entire population and of all individuals on the basis of their active, free and meaningful participation in

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<sup>20</sup> For instance, the UNDP Human Development Index measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living.

<sup>21</sup> “Sustainable human development seeks to expand choices for all people – women, men and children, current and future generations – while protecting the natural systems on which all life depends. Moving away from a narrow, economy-centred approach to development, sustainable human development places people at the core, and views humans as both a means and an end of development. Thus sustainable human development aims to eliminate poverty, promote human dignity and rights, and provide equitable opportunities for all through good governance, thereby promoting the realization of all human rights – economic, social, cultural, civil and political.” (UNDP, 1998: 5). Furthermore, the 1995 Beijing Declaration stresses that: “Eradication of poverty based on sustained economic growth, social development, environmental protection and social justice requires the involvement of women in economic and social development, equal opportunities and the full and equal participation of women and men as agents and beneficiaries of people-centred sustainable development”.

development and in the fair distribution of benefits resulting therefrom.”<sup>23</sup> Second, it declares that the right to development is a human right “by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.” The Declaration, as confirmed by the 1993 Vienna Declaration (adopted by consensus),<sup>24</sup> thus represents the shared appreciation within the international community that the realization of human rights, including gender equality, is an integral part of the process of development.<sup>25</sup> This fuller understanding of development also binds States in their international economic and trade relations. The reference to the pursuit of the objective of development in the Preamble of the Marrakesh Agreement seems to point in the same direction. While the link with human rights norms has never been tested in WTO dispute settlement proceedings, the Appellate Body “has shown itself as sensitive to the range of normative sources in international law and policy relevant to the elaboration of meanings of trade rules ...[and] is *in principle* open to interconnectedness in the interpretation of ‘development’” (Howse, 2004: 19-20).

Moreover, as a human right, the right to development “confers unequivocal obligation on duty-holders: individuals in the community, states at the national level, and states at the international level. National states have the responsibility to help realize the process of development through appropriate development policies. Other states and international agencies have the obligation to cooperate with the national states to facilitate the realization of the process of development” (Sengupta, 2000: 5). When countries engage in specific development policies and actions aimed at realizing human rights, such as in the area of gender equality, the international consensus on the right to development would seem to play a

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<sup>22</sup> Declaration on the Right to Development, General Assembly Resolution 4/128, 4 December 1986.

<sup>23</sup> *Ibid.*, Preamble.

<sup>24</sup> Vienna Declaration and Programme of Action, adopted by the World Conference on Human Rights on June 25, 1993.

<sup>25</sup> In spite of the Declaration, the characterization of the “right to development” as a human right remains controversial. See, for instance, Henkin, 1995: 181.

legitimizing function. However, insofar as specific provisions of WTO law may come into conflict with the duty to fulfil, it remains unclear which of the two claims would prevail.

### **3. PURSUING GENDER EQUALITY IN THE CONTEXT OF WTO LAW**

As noted, achieving equality, including gender equality, is key to realizing human development, which is about “enlarging people’s choices, by expanding human functionings and capabilities. Human development thus also reflects human outcomes in these functionings and capabilities. It represents a process as well as an end.” (UNDP, 2000: 17). In such a development process, trading activities play an important role. However, “the gains from a policy such as trade liberalization are not to be assessed in terms of whether trade is expanded, nor (at least for the most part) by the contribution of trade liberalization to aggregate increases in national wealth or income, but rather by their effects on human opportunities for self-realization” (Howse, 2004: 16).

In this context it is important to note from the outset that the multilateral trading regime has been conceived as a system of rules meant to ensure not equal outcomes, but equal opportunities to trade.<sup>26</sup> WTO obligations are generally obligations of conduct, not obligations of results. Policies and actions by Members, that are meant to achieve specific development (social and economic) outcomes, sit uncomfortably with the general approach of the WTO system that rejects fixing economic outcomes of free market exchanges. However, while removing distortions and restrictions to trade is in many cases conducive to significant increases in the economic well-being of market participants, this outcome is far from assured. In those instances where an adaptation or a departure from the general approach is necessary to ensure the achievement of human development and human rights, including in the area of gender equality, it is important that existing WTO rules do not restrain governments’ ability to do so. This could be the

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<sup>26</sup> See, for instance, Report of the Panel, *United States – Taxes on Petroleum and Certain Imported Substances*, adopted on 17 June 1987, GATT doc. L/6175 - 34S/136, 5 June 1987.

case, for instance, when formally ‘gender-neutral’ rules prove to have, in effect, a negative impact on governments’ ability to address trade-related gender issues. What follows is a review of the main areas where this unwanted effect may potentially arise.<sup>27</sup>

### **3.1. The Agreement on Agriculture**

A key objective of the Agreement on Agriculture (AoA) – as with practically all WTO agreements – is to facilitate trade. However, women farmers in many developing countries are primarily involved in subsistence agriculture, and therefore their primary concern relates to food security and self-sufficiency. Food security is not only a key economic concern, but also a fundamental human right, reflected in UDHR, Art. 25, ICESCR, Art. 11 and CEDAW, Art 14 (which addresses the situation of rural women). The AoA does not specifically aim at ensuring food security and fostering self-sufficiency.<sup>28</sup> WTO developing-country Members that intend to provide specific support for subsistence farmers need to make use of the “special and differential treatment” provisions contained in the Agreement, and, in particular, the “green box” exemptions from aggregate limits on domestic supports in such areas as extension services, stockholding for food security, domestic food aid and disaster relief.<sup>29</sup> These are important areas where existing social and economic biases against women may call for specific public intervention. For instance, there is a significant bias in many countries against the provision of extension services to women farmers that may need to be addressed. Furthermore, specific support for fertilizers, seeds and water may be critical for small, subsistence and women farmers.

A recent study by the Food and Agriculture Organization of the United Nations (FAO) notes that evidence from 23 case studies “suggests that WTO disciplines have not proved constraining to the domestic support policies that developing countries want to implement.” However, “because

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<sup>27</sup> For a comprehensive literature review of the impacts of trade and trade rules on gender equality, see Gammage et al., 2002.

<sup>28</sup> On food security issues in general, see FAO, 2003.

<sup>29</sup> See AoA, art. 6.2 and annex 2.

small income producers are often the most vulnerable in the process of trade liberalization, some kind of targeted support mechanism to increase small farm productivity and stimulate rural economic diversification may ... be required to prevent the marginalization of low-income producers.” This is also why “many developing countries are uneasy about the implications of the current discipline for future domestic support options” (FAO, 2003a: 52-3). This may be particularly important as the need for more gender-targeted intervention becomes apparent. At the 2001 WTO Ministerial Conference in Doha, developing countries proposed the establishment of a “development box” that would, among other things, allow governments to give greater assistance to poor farmers (FAO, 2001). This remains a key area, including for the realization of gender equality. Although the Doha Ministerial Declaration did not endorse the “development box” proposal, it included a commitment “to enable developing countries to effectively take account of their development needs, including food security and rural development.”<sup>30</sup> WTO Members were also urged to exercise restraint in challenging “green box” measures of developing countries.<sup>31</sup>

### **3.2. The Agreement on Trade-Related Investment Measures**

The Agreement on Trade-Related Investment Measures (TRIMs Agreement) requires that no WTO Members will apply any investment measure that is inconsistent with the provisions of GATT Articles III (National Treatment) and XI (General Elimination of Quantitative Restriction), unless it can be justified under GATT exceptions. Local-content requirements are included in the Agreement’s Illustrative List of measures that are deemed to be inconsistent with GATT Art. III. Yet WTO Members may wish to impose this kind of requirement on foreign investment in order to favour women-owned or staffed local suppliers, or to counter any negative (e.g. crowding out) effect on such suppliers. This action may be challenged by an affected WTO Member and be condemned, unless it can be justified by making recourse to GATT Art. XX (General

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<sup>30</sup> WTO, Ministerial Declaration, WT/MIN(01)/DEC/1, Nov. 20, 2001, para. 13.

Exceptions). If a genuine gender equality policy is at stake, the WTO Dispute Settlement organs will have to engage in the kind of delicate balancing referred to in section 2 above.

Thus, for instance, a WTO Member that imposes on foreign (as well as domestic) investors a performance requirement (also as a condition to receive an advantage such as a tax break) in the form of an obligation to purchase a certain amount of goods from a domestic source, such as women-owned and minority-owned businesses,<sup>32</sup> if challenged, would have to justify its “affirmative action”, probably as a measure “necessary to protect public morals”.<sup>33</sup> While the human right principle of gender equality arguably figures within the definition of “public morals”, the necessity test included in the exception obviously presents a significant hurdle.

### **3.3. The Agreement on Subsidies**

The Uruguay Round Agreement on Subsidies and Countervailing Measures (SCM Agreement) aims at ensuring that subsidies do not adversely affect the interests of WTO Members. However, it also recognises that “subsidies may play an important role in economic development programmes of developing country Members.”<sup>34</sup> Subsidies that are granted to a particular industry or group of enterprises, are considered specific and are open to challenge. Thus a national, local or any other public body programme to provide, for instance, low-cost loans, tax credits, training or other services to women or minority entrepreneurs in a particular manufacturing industry could conceivably be challenged as a prohibited subsidy, if the assistance were tied to export performance or domestic-content requirements, or as an actionable subsidy, if the programme could be shown to be injuring a domestic industry

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<sup>31</sup> WTO, Implementation-Related Issues and Concerns, WT/MIN(01)/17, Nov. 20, 2001, para. 2.

<sup>32</sup> A local content requirement imposed in a non-discriminatory manner on domestic and foreign enterprises can be inconsistent with the TRIMs Agreement because it may involve discriminatory treatment of imported products in favour of domestic products, for instance the goods produced by women-owned firms.

<sup>33</sup> See GATT 1994, Art. XX (a).

<sup>34</sup> See SCM Agreement, Art. 27 (Special and Differential Treatment of Developing Country Members).

in another WTO Member or otherwise causing “serious prejudice” to that other Member. While the SCM Agreement accords some flexibility to developing countries through special and differential treatment provisions, there is, in some cases, the risk of challenge. Furthermore, the Agreement does not include a general exception clause, which could allow for the balancing of interests, as does GATT Art. XX.

The potential conflict between the SCM Agreement and government support programmes for women-owned and minority-owned businesses could have been avoided, if the Agreement had included a provision exempting from challenge subsidies granted as “assistance to disadvantaged groups,” such as enterprises owned by women or persons belonging to an ethnic minority, along the lines of the now lapsed Art. 8 on non-actionable subsidies (so called “green light” subsidies). This article defined, *inter alia*, the category of “assistance to disadvantaged regions”, but there was no mention of disadvantaged groups. At the WTO Ministerial Conference in Doha, developing countries put forward a proposal to treat a number of development-related measures as non-actionable subsidies under the SCM Agreement. The Ministerial Conference agreed that this proposal should be considered further by the appropriate WTO body.<sup>35</sup> In this context, a specific exemption from challenge for subsidies aimed at the realization of the gender equality objective may be devised.

### **3.4. The General Agreement on Trade in Services**

The purview of the General Agreement on Trade in Services (GATS) extends, in principle, to all sectors. It therefore includes the provision of fundamental services such as education and health care, which are crucial from a human rights and human development perspective.<sup>36</sup> The key

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<sup>35</sup> WTO, Implementation-Related Issues and Concerns, WT/MIN(01)/17, Nov. 20, 2001, para. 10.2.

<sup>36</sup> See, for example, Universal Declaration of Human Rights, Art. 25 (right to health) and Art. 26 (right to education); International Covenant on Economic, Social and Cultural Rights, Art. 12 (right to health) and Art. 13 (right to education); CEDAW, Art. 10 (equal access to education) and Art. 12 (equal access to health care services).

exclusion provided for in the GATS is with regard to “services supplied in the exercise of governmental authority”.<sup>37</sup> Article 1.3(c) defines such services as those “supplied neither on a commercial basis nor in competition with one or more service suppliers”, but it does not define the key terms “commercial” and “competition”. As a result, there can be reason for uncertainty in some situations, as there is lack of clarity on how private and public services of a non-commercial nature can coexist without being in competition. In nearly all countries there are private sector suppliers of health and education services, which supplement public education and health systems, and in many countries the public sector providers charge various forms of “user fees”. These suppliers are specifically controlled or licensed to different extents. Thus, in a general sense, public health and education services are in competition with private sector equivalents. In the light of such ambiguity, it would appear advisable to clarify the meaning and scope of the “carve-out” for government services.<sup>38</sup>

Sovereign discretion over the supply of public services also applies to purchases of inputs for government supply, but not “for commercial sale”, and of services that are outsourced to private firms. While multilateral negotiations on government procurement in services are under way and progressing slowly, at present governments retain freedom in this area, with the caveat of the uncertainty that derives from the term “commercial” which is not defined in the agreement. Any future rule in the area of service procurement would need to consider preserving the ability of WTO

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<sup>37</sup> See GATS Art. I (Scope and Definitions). On these issues, see Chanda, 2003: 1997-2011.

<sup>38</sup> The North American Free Trade Agreement (NAFTA), for instance, confirms in Article 1201.3(b) that nothing in that agreement shall prevent a party from providing services such as law enforcement, social security, social welfare, public education, training, health and childcare. In the light of the sensitivity over liberalization of basic services, Canada required an even more explicit side-letter clearly exempting health care from NAFTA’s coverage.

Members to use their purchasing decisions to pursue specific policies, including to afford preference to women or minority entrepreneurs.<sup>39</sup>

As a general rule, governments have the sovereign right to change laws as policies evolve, including when specific actions in the area of gender equality may be decided or become necessary. If a government determined that private sector supply of a particular service should be replaced by public sector provision, the GATS would not restrict its freedom to do so. If it decided that in order to foster gender equality it needed to give some form of preference to women entrepreneurs, or to introduce a gender-based employment requirement, again the GATS would not prevent such an outcome. However, the GATS commitments (i.e. market access and national treatment), once entered into, and unless limitations have been entered into the country's schedules, are permanent. In case of a withdrawal of a commitment, compensation needs to be given in the form of alternative "concessions", to be negotiated with the affected trading partners. In this regard the GATS approach of locking in sector-specific commitments, coupled with a built-in agenda for "progressive liberalization", could create tension with the general principle of "progressive realization" of economic, social and cultural rights, which commits governments to "take steps . . . to the

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<sup>39</sup> The situation is different for countries party to the plurilateral Government Procurement Agreement. These are all developed countries, although a few developing countries are negotiating accession. The Agreement contains general rules and obligations, aimed at fostering international competition in domestic procurement markets and schedules of national entities in each member country whose procurement is subject to the Agreement. Thus the Agreement's coverage depends on the commitments and restrictions set out in each country's schedule. These schedules also include "notes" and other details limiting the covered entities' commitments. For example, the "General Notes" to the United States' schedule states that the agreement does not apply to "set asides on behalf of small and minority businesses". In addition, the portion of the United States schedule listing the States that are covered includes a note stating that the Agreement shall not apply to "preferences or restrictions associated with programs promoting the development of distressed areas and businesses owned by minorities, disabled veterans and women."

maximum of [their] available resources, with a view to achieving progressively the full realization of [these] rights by all appropriate means”.<sup>40</sup>

The scope of national treatment commitments is particularly relevant. A WTO Member may not discriminate between domestic and foreign “like” service suppliers for those service sectors and subsectors for which it has agreed to bind itself to the provision of national treatment. Unless a specific limitation has been recorded in its schedule of commitments,<sup>41</sup> a better treatment, such as a subsidy, cannot be provided to a domestic service provider, or a ‘worse’ treatment, such as a performance requirement, cannot be imposed on a foreign provider. To do otherwise, the Member would have to demonstrate that the domestic supplier which, for instance, is behaving in a particularly gender-sensitive fashion, is not “like” the foreign one which is not paying any particular attention to the issue of gender equality. Or it would have to justify its action under the general exception clause, which, in the case of the GATS, includes measures “necessary to protect public morals or to maintain public order”, the latter as interpreted in a footnote to mean “a genuine and sufficiently serious threat ... posed to one of the fundamental interests of society”.<sup>42</sup> While both these avenues are, in principle, practicable, they remain particularly arduous. It is thus important that developing countries that want to pursue gender equality policies, as well as other human rights and human development-related policies, safeguard their option to do so by scheduling specific limitations.

With regard to non-discriminatory regulation, GATS Art. VI (Domestic Regulation) mandates WTO Members to regulate those services for which they have lodged a commitment, “in a reasonable, objective and impartial manner.” Furthermore, this article requires that licensing and qualification requirements and technical standards are “not more burdensome than necessary to ensure the quality of the services.” This test may be applied in

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<sup>40</sup> See International Covenant on Economic, Social and Cultural Rights, Article 2.

<sup>41</sup> WTO Members, for all the services sectors they wish to liberalize, are required to schedule all discriminatory measures, including subsidies, which they wish to retain. This may impose a significant burden on developing countries, to make sure they list every conceivable subsidy or other preferential treatment, such as business support programmes for women entrepreneurs.

<sup>42</sup> See Art. XIV (General Exceptions).

more or less stringent fashion, but again it is not clear to what extent regulations meant to fulfil human rights objectives, such as gender equality, would pass muster, if challenged. Art. VI also calls for the development of sector-specific, multilaterally agreed disciplines aimed at ensuring that domestic regulations do not “constitute unnecessary barriers to trade”. In all these cases, a legitimate concern exists with regard to “the extent to which WTO rules actually limit, in intent or effect, the ability of governments to impose social obligations on foreign and competitive domestic service providers” (Howse and Matua, 2000). Heeding these concerns, the WTO Doha Declaration reaffirmed the right of WTO Members under the GATS to “regulate, and introduce new regulations, on the supply of services.”<sup>43</sup> However, if a new regulation on services were to modify a Member’s commitments, the country could still be required to make a “compensatory adjustment”.

### **3.5. The Agreement on Trade-Related Aspects of Intellectual Property Rights**

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) generally recognises the importance of promoting and enforcing private rights in intellectual property “in a manner conducive to social and economic welfare”.<sup>44</sup> The regime established by the TRIPS Agreement seeks to strike a balance between, on the one hand, the positive effects that private rights may bring to society through the provision of incentives for research and development and, on the other hand, the negative effects from giving inventors temporary rights to exclude competitors from the use of new technology. This balance is reflected in a variety of provisions, including in the various forms of flexibility provided under the Agreement.

Furthermore, “Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such

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<sup>43</sup> WTO, Ministerial Declaration, WT/MIN(01)/DEC/1, Nov. 20, 2001, para. 7.

<sup>44</sup> See Art. 7 (Objectives).

measures are consistent with the provisions of this Agreement.”<sup>45</sup> However, this wording appears somewhat weak and almost self-evident. It does not clearly point to any hierarchy of values to be protected, especially with regard to those human rights potentially affected by the Agreement, including the rights to health, food security and control over indigenous knowledge.<sup>46</sup> With respect to gender equality, some issues are of particular importance, including access to affordable medicines for HIV/AIDS, infectious diseases, reproductive health and maternal care, as well as access to seeds, fertilizers and genetic resources and related know-how for food production, security and adequate nutrition, and also to improve the competitiveness of small women producers. These are all areas where governments may want to adopt specific policies, in particular to ensure that any disparity in women’s and men’s ability to access resources covered by intellectual property rights (IPRs) is addressed. Government action may become necessary, as products covered by IPR tend to command higher (monopoly) prices, which many poor people, including poor women, often cannot afford.

Although the Agreement attempts to balance the protection of private rights and the promotion of broader values, there are many critics who consider that the protection of the public interest has been penalized. In the area of public health, the Agreement allows governments some latitude to address

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<sup>45</sup> See Art. 8 (Principles).

<sup>46</sup> See, for example, Universal Declaration of Human Rights, Art. 25 (rights to health and food security); International Covenant on Economic, Social and Cultural Rights, Art. 11 (right to food security) and Art. 12 (right to health); CEDAW, Art. 12 (equal access to appropriate health care) and Art. 14 (rights of rural women); ILO Convention Concerning Indigenous and Tribal Peoples, 1989 (No. 169); Convention on Biological Diversity, Article 8(j) (respect for indigenous knowledge, innovations and practices and equitable sharing of benefits from their use). Art. 27 of the Universal Declaration and Art. 15 of the International Covenant on Economic, Social and Cultural Rights also recognize both the right of authors to protect their interests in a scientific, literary or artistic work and the right of all people to participate in the cultural life of a community, to enjoy the arts and to share in the benefits of scientific advancement. See United Nations High Commissioner for Human Rights, *The Impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights on Human Rights*, Report of the High Commissioner to the Sub-commission on the Promotion and Protection of Human Rights, United Nations Doc. E/CN.4/Sub.2/2001/13, 27 June 2001.

concerns related to the availability and affordability of patented drugs. It does this by leaving WTO Members free to decide whether to allow patented goods, including drugs, to be imported from other countries where they are sold more cheaply (so called parallel importing).<sup>47</sup> Furthermore, the Agreement specifies circumstances in which WTO Members can permit, under their patent laws, the use of a patent without the holder's consent (so called compulsory licensing).<sup>48</sup> These circumstances include cases of "national emergency or other circumstances of extreme urgency," such as public health crises, or "cases of public non-commercial use". However, while the Agreement requires that the patent-holder be paid "adequate compensation", it does not provide guidance on the calculation of the compensation. Unfortunately, not all developing countries, in particular the least developed countries (LDCs), are in a position to start domestic production of pharmaceuticals.

In the 2001 Doha Declaration, ministers stressed the importance of implementing and interpreting the TRIPS Agreement in a way that supports public health – by promoting both access to existing medicines and the creation of new medicines. In the declaration on TRIPS and Public Health they agreed that the TRIPS Agreement does not, and should not, prevent Members from taking measures to protect public health. They underscored countries' ability to use the flexibilities that are built into the TRIPS Agreement, including compulsory licensing and parallel importing.<sup>49</sup> They also agreed to extend exemptions on pharmaceutical patent protection for LDCs until 2016.

Regarding some countries' inability to produce pharmaceuticals domestically<sup>50</sup> a further agreement, after much controversy, was reached in August 2003 that allows countries producing generic copies of patented products under compulsory licences to export the products to eligible

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<sup>47</sup> See Art. 6 (Exhaustion).

<sup>48</sup> See Art. 31 (Other Use Without Authorization of the Right Holder).

<sup>49</sup> See WTO, Declaration on the TRIPS Agreement and Public Health, WT/MIN(01)/DEC/2, 20 Nov. 2001.

<sup>50</sup> See *id.*, para. 6, where it is acknowledged that "WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement".

importing countries. The temporary waiver is to last until the TRIPS Agreement is amended. The decision covers patented products or products made using patented processes in the pharmaceutical sector, including active ingredients and diagnostic kits. It is designed to address the public health problems recognised in the Doha Declaration on TRIPS and Public Health, which states that WTO ministers “recognize the gravity of the public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.”<sup>51</sup>

The TRIPS Agreement may also have important repercussions on agriculture. The Agreement allows for the patenting of micro-organisms, some of which are important for the development and production of biofertilizers and biopesticides. The impact of patenting on costs of agricultural inputs may be significant. With regard to plants and animals, the TRIPS Agreement allows WTO Members to exclude patentability on condition of the existence of a system for the “protection of plant varieties either by patents or by an effective *sui generis* system or by any combination thereof.”<sup>52</sup> One accepted alternative to patent protection for plant varieties is through one of the conventions adopted under the Union for the Protection of New Varieties of Plants (UPOV). “Developing countries have been opposed to this approach because they consider it to be a transitional phase towards patent protection for plants and the erosion of their ability to formulate *sui generis* systems that represent local needs and protect genetic resources and the rights of local and indigenous communities. Furthermore, the 1978 UPOV Convention provided farmers’ privileges and breeders’ exemptions, both of which were made more restrictive in the 1991 revision. The use of research and farmers exemptions in many developing countries is a critical aspect of national food security systems and the functioning on international agricultural research institutes and should be provided” (Juma, 1999: 9). These are issues where the specific interests of women farmers, such as the possibility to save patented seed from year to year, need to be taken into account. Several countries, including Bangladesh, Costa Rica, India, Nicaragua and Thailand, have put

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<sup>51</sup> See *id.*, para. 1.

<sup>52</sup> See art. 27 (Patentable Subject Matter).

in place specific legislation on plant varieties in order to better address their needs.

#### **4. CONCLUSION**

WTO rules are not incompatible with the pursuit of gender equality as a fundamental principle of human rights and a key element for human development. General norms of treaty interpretation as well as the reference to “sustainable development” in the Preamble to the Marrakesh Agreement allow for the building of bridges and some have already been built, in particular in recent WTO Appellate Body jurisprudence. However, some tensions exist in those instances where obligations to eliminate distortions and restrictions on international trade may conflict with the promotion of human rights and development. These instances need not be numerous, as the increase in economic activities through trade generally offers opportunities for development and for the realization of human rights. But many challenges remain in these areas, and governments bear the responsibility to take action. The pursuit of gender equality is no exception.

In particular, there are a few instances where WTO law may restrain, to some extent, the ability of countries to pursue policies aimed at fostering gender equality. These could, at least in part, be addressed through a particularly ‘progressive’ interpretation of the existing rules. But as countries move decisively towards pursuing social and economic rights in the context of their sustainable human development strategies, some adaptation of the rules may be called for, in particular in the light of the international community’s priorities, as stated in the Millennium Declaration. Indeed, in their common pursuit of human development and human rights, countries are duty-bound to provide an international environment conducive to the realization of the process of development. Gender equality is a key component of this process, and nations need to be capable of deploying all instruments to pursue it. Ensuring a trading system conducive to the realization of gender equality is part of the development challenge.

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## Chapter 10

# HUMAN RIGHTS, GENDER AND TRADE:

## A LEGAL FRAMEWORK<sup>1</sup>

### INTRODUCTION

The promotion and protection of human rights plays a central role in promoting equality in and through trade. While the advancement of equality between men and women can be achieved through a range of economic and policy tools, human rights norms and standards provide a legal framework through which individuals and groups can combat discrimination and seek substantive equality. The legal nature of the human rights framework is particularly significant in the context of the trade and gender debate. Just as States have undertaken obligations to liberalize trade through multilateral, regional and bilateral trade agreements, they have also undertaken obligations to prohibit discrimination and promote equality through international and regional human rights treaties. Consequently, the human rights framework, with its emphasis on equality between men and women and the prohibition of discrimination, provides an important legal check to trade rules. It also gives legal backing to calls for greater equality between men and women and for gender sensitivity in the formulation and implementation of trade rules and policies.

An analysis, within a human rights framework, of the effects of different trade rules and policies on women and men is important not only from a human rights perspective, but also from a trade perspective. From a human rights perspective, combating discrimination against women and promoting equality between men and women are ends in themselves. It is fundamental for ensuring the equal enjoyment of human rights for all and as a foundation for freedom, justice and peace. Indeed, promoting equality between men and women can also have benefits on trade performance, allowing fuller enjoyment of the potential benefits of trade liberalization for

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<sup>1</sup> This chapter has been prepared by Simon WALKER, OHCHR, Geneva.

women and for societies generally, and it can influence positively the dynamics of growth and poverty reduction. As the World Bank stated in its *World Development Report 2000/2001: Attacking Poverty*, “lower inequality can increase efficiency and economic growth through a variety of channels” (World Bank, 2001a: 56), and respect for the principle of non-discrimination is one means by which to lower inequality.

Inequality between men and women can have negative effects on economic growth and trade performance. The ILO has noted that discrimination faced by women and minority groups is a significant obstacle to economic efficiency and social development. Where more than half of a country’s potential labour is not used efficiently, it is inevitable that competition is negatively affected (ILO, 1999, para. 94) In agriculture in particular, the male bias of property and land access regimes can impede women’s access to credit and land. This can reinforce women’s poverty and deprive them of the capital and production inputs necessary to take advantage of export opportunities (UNCTAD, 2002:116). Similarly, gender-based inequalities in other areas such as education and health can lower output or result in loss of export opportunities thus damaging trade performance generally (Cagatay, 2001).

This chapter seeks to illustrate the relevance and significance of the human rights framework to discussions on trade and gender. It is divided into four sections. The first section sets out the legal bases of the principles of non-discrimination and equality under international human rights law, illustrating how they apply not only to direct discrimination, but also to indirect discrimination. The second section discusses some of the effects on equality and non-discrimination of trade rules and policies concerning goods, services and intellectual property. The third section considers some of the means to redress inequalities between men and women in trade, using the human rights framework as a tool to define claims to equality on the one hand and obligations on the other. The final section makes some concluding observations and identifies some areas for further analysis.

The chapter is written in the context of the ongoing work of the High Commissioner for Human Rights on the question of human rights and

trade. Through reports dealing with intellectual property protection (Economic and Social Council, 2001), agricultural trade (Economic and Social Council, 2002a), trade in services (Economic and Social Council, 2002b), investment (Economic and Social Council, 2003) and the fundamental principle of non-discrimination in the context of globalization (Economic and Social Council, 2004), the High Commissioner has focused on considering the ways in which trade law and human rights law can be implemented consistently, in particular, by examining how existing and future trade rules can maintain the policy space for national governments to promote and protect the human rights of their people. The focus has therefore been on how human rights law can guide national governments – particularly those of poorer countries – to protect the human rights of their people in the context of bilateral, regional and multilateral trade negotiations. The OHCHR distinguishes this position from one that favours the use of human rights to condition trade. In this context, it is important to recall that the Universal Declaration on Human Rights, and international human rights treaties and the Declaration on the Right to Development encourage international cooperation for the promotion and protection of human rights.

## **1. THE HUMAN RIGHTS PRINCIPLE OF NON-DISCRIMINATION**

The principle of non-discrimination is, perhaps, the dominant and most powerful principle of international human rights law. Its inclusion in the Charter of the United Nations and in the Universal Declaration on Human Rights (the Universal Declaration) was a reminder and response to the genocide and carnage of the Second World War – a promise that these would not occur again. The principle has since been restated in all the major human rights instruments; it provides the central theme of some of these instruments, and at least certain aspects of the principle are now considered part of customary international law.<sup>2</sup>

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<sup>2</sup> See the Report of the International Law Commission on its fifty-third session, Official Records of the General Assembly, Fifty-sixth session, Supplement No. 10(A/56/10): 208.

Article 2 of the Universal Declaration states the principle of non-discrimination as follows:

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status.

While the formulations of the principle of non-discrimination are not the same for all the human rights instruments, they have certain common characteristics. The principle applies to everyone in relation to all human rights and freedoms, and it prohibits discrimination on the basis of a list of non-exhaustive categories such as sex, race and colour. Importantly, the principle of non-discrimination is complemented by the principle of equality. Article 1 of the Universal Declaration states, “All human beings are born free and equal in dignity and rights” and common Articles 3 of the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) oblige States to ensure the equal right of men and women to the enjoyment of human rights. Importantly, Article 26 of the ICCPR creates a right to equality, guaranteeing all persons equality before the law and equal protection of the law.

The international human rights treaty most clearly focusing on the question of discrimination on the basis of sex is the International Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The General Assembly adopted CEDAW in 1979 to reinforce the provisions of existing international instruments in order to combat more effectively discrimination against women. The Convention identifies a range of areas in which women suffer discrimination, including in the areas of employment, health care, education, rural life, marriage and the family, political rights, and even government representation at the international level. This convention has been ratified by 175 States, and, significantly, out of 146 WTO Members, 136 have ratified it.

Not all human rights treaties explicitly define discrimination, nor are definitions entirely consistent in those treaties that do include definitions.

However, it is generally accepted that the principle of non-discrimination prohibits any *distinction, exclusion, restriction or preference* having the *purpose or effect* of impairing or nullifying the recognition, enjoyment or exercise by all persons, on an equal footing, of all rights and freedoms. In CEDAW, for example, the term “discrimination against women” refers to “any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women” of their human rights in the “political, economic, social, cultural, civil or any other field” (CEDAW, Art. 1).

Several elements of this definition of non-discrimination are worth noting.

- a) *The primary concern of the principle of non-discrimination are State laws, policies and practices, but the principle is also relevant to private actors*

The definition elaborates the types of differential treatment concerned as “distinctions, exclusions or restrictions”. Both public and private actors differentiate in their treatment of people, and while the principle of non-discrimination is primarily aimed at State policies and practices, States also have responsibilities to ensure that private actors respect the principle. For example, CEDAW (Art. 2) obliges States to “take all appropriate measures to eliminate discrimination against women by any person, organization or enterprise”.<sup>3</sup>

- b) *There is no requirement to demonstrate discriminatory intention*

The reference to “purpose and effect” in the definition indicates that intention is not a requirement. So long as the effect of a distinction, exclusion, restriction or preference based on one of the categories is discriminatory, a violation has occurred, irrespective of whether this was intended. Thus, in the *South West Africa Cases (Second Phase), 1966* (ICJ Rep 6), Judge Tanaka stated in relation to racial discrimination that “the arbitrariness which is prohibited, means the purely objective fact and not the subjective condition of those concerned. Accordingly, the arbitrariness can be asserted without regard to motive or purpose”.

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<sup>3</sup> See also Art. 2 of the Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with regard to Human Rights (E/CN.4/Sub.2/2003/12/Rev.2), concerning business responsibility in relation to the right to equal opportunity and non-discriminatory treatment.

c) *The principle of non-discrimination applies to both de jure and de facto discrimination*

In other words, the principle is not only concerned with discrimination in laws and policies, but also discrimination in practice. It is clear that State prohibition of discrimination must go beyond merely prohibiting discrimination in law.

Importantly, the principle of non-discrimination applies to both direct discrimination and indirect discrimination. Direct discrimination prohibits unjustified differential treatment that is directly connected with a person's association with one of the protected categories such as sex and ethnicity (Christensen, 2001: 39, 40), for example, different salary rates for men and women related to the same work. On the other hand, indirect discrimination occurs when a neutral measure has a disparate and discriminatory effect on different groups of people and when that measure cannot be justified by reasonable and objective criteria. Indirect discrimination recognizes that treating unequals equally can lead to unequal results, which can have the effect of petrifying inequality. Combating indirect discrimination is an important means of dealing with the institutional and structural biases – often unintentional and unperceived – that result in discrimination and that act as impediments to the achievement of equal human rights for all. Significantly, focusing on the disparate impact of an apparently neutral measure on an individual as part of a particular group opens up the possibility of identifying the root causes of discrimination and inequality. It is a significant step in achieving substantive equality, not simply formal equality. The prohibition on indirect discrimination considerably widens the scope of the principle of non-discrimination, and national, regional and international responses to it vary (Wentholt, 1999: 62-64; Loenen, 1999: 195).

The principle of non-discrimination does not prohibit all differential treatment; some differential treatment might be justifiable. For example, the Human Rights Committee has stated that "... not every differentiation of treatment will constitute discrimination, if the criteria for such differentiation are reasonable and objective and if they aim to achieve a

purpose which is legitimate under the Covenant”.<sup>4</sup> And the Committee on the Elimination of Discrimination against Women has stated that “Under certain circumstances, non-identical treatment of women and men will be required in order to address ... differences. Pursuit of the goal of substantive equality also calls for an effective strategy aimed at overcoming under-representation of women and a redistribution of resources and power between men and women”.<sup>5</sup>

Nowak (1993: 44) has pointed out that the permissibility of differential treatment requires the determination of the following three issues: whether the parties in question can be considered to be in a *comparable situation*; whether unequal treatment is based on *reasonable and objective criteria*; and whether the distinction is *proportional* in the case in question. Thus in *Broeks v. The Netherlands* (Communication No. 172/1984, A/42/40) the Government attempted to justify a distinction on the basis of sex that required married women, but not married men, to prove they were the “breadwinner” in order to receive certain social security benefits. The Government argued that the origin of the distinction was not discriminatory but rather based on the need to balance the use of limited public funds with the Government’s obligation to provide social security. The Human Rights Committee rejected the justification of the requirement.

States also have obligations to take positive measures to guarantee the equality of rights and prevent discrimination in some cases.<sup>6</sup> Obligations to take positive measures are explicit in CEDAW (Art. 2(b), (e) and (f)). In particular, States should take steps where patterns of discrimination emerge

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<sup>4</sup> Human Rights Committee (HRC), “Non-discrimination”, General Comment No 18, thirty-seventh session, 1989, para.13.

<sup>5</sup> General recommendation No. 25 on CEDAW (CEDAW/C/2004/I/WP.2/Rev.1), Art. 4, para. 1, on “temporary special measures”, Committee on the Elimination of Discrimination against Women, January 2004, para.8.

<sup>6</sup> HRC General Comment No 18, *op.cit.*, para.5.

to ensure that discrimination does not become entrenched.<sup>7</sup> For example, a government might collect statistics on the basis of gender or ethnicity as a means of understanding more fully the inequalities and discrimination within a society. Similarly, a government might impose on its contractors conditions directed towards increasing the representation of minorities and women in the workforce. The focus of positive measures is not just on compensating individual victims but also on restructuring institutions, and therefore avoiding future discrimination. The need for positive measures can be triggered by evidence of structural discrimination, for example, through chronic underrepresentation in particular types of work.

Affirmative action (temporary special measures) is one specific form of positive measure. A State may grant differential treatment for a period of time in favour of certain people or groups in the form of affirmative action in order to achieve the wider goal of equal human rights for all. An example might be preferential treatment of members of an underrepresented ethnic group over other equally qualified candidates in applications for employment. The HRC has indicated that “the principle of equality sometimes requires States parties to take affirmative action in order to diminish or eliminate conditions which cause or help to perpetuate discrimination”.<sup>8</sup> The same position is applicable to economic, social and cultural rights (Craven, 1995: 184). CEDAW in fact contains explicit statements concerning the legitimacy of affirmative action measures (CEDAW, Art. 4(1)). Importantly, the Committee on the Elimination of Discrimination against Women has highlighted the importance of temporary special measures to eliminate multiple forms of discrimination against women who suffer discrimination due to their race, ethnicity, religious identity, disability, class, caste or other factor.<sup>9</sup>

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<sup>7</sup> Limburg Principles on the Implementation of the *International Covenant on Economic, Social and Cultural Rights*, (1986), Background document submitted by the International Commission of Jurists to the Day of General Discussion of the Committee on Economic, Social and Cultural Rights on article 15(1)(c) of the Covenant, 27 November 2000, E/C.12/2000/13, at para. 38.

<sup>8</sup> HRC General Comment No 18, *op.cit.*, para.10.

<sup>9</sup> General recommendation No. 25 on CEDAW, *op.cit.*, para. 12.

There are, however, limitations on the acceptability of affirmative action programmes. Such measures should not lead to the maintenance of separate rights for different groups, and they should not be continued after their intended objectives have been achieved.<sup>10</sup> There is no general rule that States are obliged to implement affirmative action schemes, although Art. 3 of the ICCPR and ICESCR suggests that States might be obliged to do so in order “to ensure the equal right of men and women to enjoy human rights”.

## 2. HUMAN RIGHTS, TRADE AND GENDER

The relationship between human rights, trade and gender is complex. Gender relations intervene in all economic activities and processes, and are apparent in aspects such as conditions of work, wage and employment levels, productivity, innovation, consumption patterns, control over assets and knowledge. These relations become even more complex when inequalities between men and women are seen in light of other inequalities based on race, ethnicity, age, family status and disability, that can also intervene in and mediate the effects of economic activities and processes. The effects of trade liberalization on women and men are often difficult to distinguish from the general effects of gender and other forms of inequality permeating society. However, evidence suggests that the processes of trade liberalization – whether as a result of national trade policies, World Bank/IMF programmes or WTO trade rules – do have some distinctive impacts on equality between men and women. Where those distinct effects are positive, trade liberalization can be seen as a vehicle to promote the human rights of women and men. Where, on the other hand, trade liberalization has direct or indirect discriminatory effects, human rights can provide a means of countering inequality.

It is important to note that trade rules and policies can have positive effects in reducing discrimination against women and promoting greater equality in society. A report by the United Nations Development Programme (UNDP) has noted that trade liberalization, while not the only influencing

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<sup>10</sup> Limburg Principles, *op.cit.*, para. 39. See also, HRC General Comment 18, *op.cit.*, para. 10.

factor, appears to have contributed positively to the worldwide increase in women's participation in paid employment over the past 20 years although increases are not uniform between countries and across sectors (Cagatay, 2001: 20-21). Similarly, a World Bank study that reviewed figures in the United States, Mexico and China suggests that there *is* some correlation between more open markets and increased equality in wages between men and women (World Bank, 2001b: 196-198). While increases have differed between countries and sectors, in those areas where trade liberalization correlates with an increase in women's access to paid employment, this could provide a vehicle to increase women's autonomy both within and outside the family, and could lead to increased pressure for greater social recognition for women's equal rights.

At times, however, trade liberalization could have less desirable effects on equality. Sometimes, trade rules can lead to direct discrimination: where the discrimination is directly the result of a distinction, exclusion, restriction or preference on the basis of sex that has the purpose or effect of impairing or nullifying the enjoyment of human rights of women in relation to men. For example, national policies might consciously maintain women's wages and conditions at lower levels than men's as a means of attracting foreign investment (Cagatay, 2001: 23-24; Jha, 2003: 118-121).<sup>11</sup> Thus trade and investment liberalization could be providing incentives to maintain discriminatory wage and working conditions against women, in some cases, and threaten women's livelihoods and the enjoyment of their human rights (Jha, 2003:27). While there is little direct evidence to support "race to the bottom" arguments, the ILO acknowledges that, as a result of investment, downward pressure on labour and environmental standards exists, and it is difficult to judge the extent to which foreign investment is

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<sup>11</sup> A UNIFEM/UNCTAD study (Jha, 2003) notes: "In exploring the relationship between low wages and higher share of women's employment in the garment industry (using the India Occupational Wage Survey data in the textile and garment industry from 1994-1995) the study found that 'the lowest overall wage rates occur precisely in those states where the female share of employment is the highest'. For example, the widest gap between male and female wages (average minimum wage rate) was found in Tamil Nadu, the state with the highest share of female employment, where women's wages were on average some 33 percent lower than men's."

inhibiting the socially optimal raising of standards (ILO, 2002, para 12; ILO, 2003).

Similarly, direct discrimination might occur as a result of action by a third party, for example, a firm that maintains different working standards for men and women as a means of maximizing profit. Here, the State still has a responsibility to take action to prohibit such discrimination, even though the State itself is not the direct cause of discrimination.<sup>12</sup> Interestingly, in this regard, the Sub-Commission on the Promotion and Protection of Human Rights, has recently adopted Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights, which clearly state that transnational corporations and other business enterprises shall ensure equality of opportunity and treatment for the purpose of eliminating discrimination unrelated to the inherent requirements to perform the job (Art.2).<sup>13</sup> From a human rights perspective, policies that maintain different standards for men and women in the workplace, or even lower standards for women in comparison to men, would have the effect of nullifying or impairing women workers' rights. In those circumstances, the State and, in some cases, non-State actors have a responsibility to alter their policies that involve direct discrimination.

Indirect discrimination is possibly the form more commonly at issue in relation to trade rules and policies. Trade policies that make no overt distinctions, exclusions, restrictions or preferences based on sex might, nonetheless, lead to unintended and indirect discrimination by omitting to analyse gender-based effects. For example, the liberalization of agricultural

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<sup>12</sup> For example, corporations, especially in the context of export industries, sometimes engage in direct discriminatory policies in order to maximize profits. Women are sometimes forced to undergo pregnancy tests in order to provide proof that they are not pregnant. In May 2000, 27-year-old Miriam de Rosario was fired from her job at Modas One Korea because she was pregnant, and this meant, according to the director of personnel, that she would not be able to work extra hours, could not be made to stand for long periods of time and would not work as hard as others (Human Rights Watch, *From the Household to the Factory: Sex discrimination in the Guatemalan Labour Force*, January 2002, available at: <http://hrw.org/reports/2002/guat/guat0102A.jude.htm>.)

<sup>13</sup> See footnote 3.

trade, the opening up of essential services to international competition or the strengthening of intellectual property protection might have important consequences for women due to the existing roles that many women play in society – even though those effects might have been unintended.

For example, reductions in government spending on social services that can accompany trade liberalization, and increased private sector participation in such provision, might also affect women disproportionately compared with men. Where trade liberalization or structural adjustment programmes in areas such as health care have led to the introduction of user fees or dual service supply that favour the healthy and wealthy over the poor and sick, women – particularly working and poorer women – are sometimes forced to take on extra responsibilities or forgo services (Cagatay, 2001: 24). Consequently, even though in some cases liberalization of trade in services offers the opportunity to broaden and improve service supply, without adequate regulation it could reduce or even block some women's access to essential services, where their position as carers, mothers or heads of households requires greater access to assistance than men.<sup>14</sup> This could be leading to the phenomenon known as the feminization of poverty, where women bear a triple burden of having to earn a living, care for a household as well as replace social services. Such discrimination, while indirect, could nonetheless have the effect of nullifying or impeding women's rights to health, education and water, amongst other rights that rely on the improvement of low-cost universal access to services. If a rule or policy affects men and women differently, it means that they are not equally

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<sup>14</sup> With the privatization of water services in Cochabamba, Bolivia, water bills increased considerably. According to Tanya Paredes, a mother of five who supports her family as a clothes knitter: "What we pay for water comes out of what we have to pay for food, clothes and the other things we need to buy for our children." Ms Paredes' water bill increased from \$5 a month to \$20 – an increase equivalent to what it costs her to feed her family for about 10 days. Her water bill was higher than the average \$17 a month paid by residents in Washington DC. See Shultz, J, Published reports from the Executive Director of the Democracy Center, Cochabamba, Bolivia available at [http://www.democracyctr.org/bechtel/the\\_water\\_war.htm](http://www.democracyctr.org/bechtel/the_water_war.htm). See also World Bank Operations Evaluation Department, *Bolivia Water Management: A Tale of Three Cities*, Spring 2002, Number 222; and Economic and Social Council, 2003: paras. 51-55.

placed, and it is important to consider why this is so by evaluating the rule in terms of its effects on inequalities between men and women. An expert meeting convened by the United Nations Conference on Trade and Development (UNCTAD) on Mainstreaming Gender in Order to Promote Opportunities has urged that negotiations in the WTO and regional agreements on trade in services address gender issues in a systematic way in order to avoid such gender-specific risks (UNCTAD, 2001: para. 50).

At other times trade liberalization might not have a direct effect on equality between men and women; instead, it could simply maintain the status quo. For example, studies of some countries indicate that occupational segmentation has not changed significantly as a result of trade liberalization. Women continue to be overrepresented in jobs with relatively low wages, high levels of job insecurity and poor working conditions, which might not result in long-term benefits for them at work (ILO, 1999: 44). Moreover, they continue to dominate in sectors requiring unskilled workers. For example, while employment opportunities for women have arisen as a result of export orientation in sectors such as textiles that are dominated by unskilled workers, they have not been able to enter traditionally male employment areas, especially those areas requiring skilled work. Thus, if export orientation progresses over time from areas requiring unskilled workers to areas requiring skilled workers (such as high technology manufacturing, where male workers dominate), employment losses might be experienced by women and employment gains by men, and the initial increases in employment opportunities for women might prove to be unsustainable. Similarly, while trade in services has traditionally offered a vehicle of integration for women into employment and production, gains have been ambiguous, as this integration has been premised on women's low labour costs, inadequate integration and the lack of a proper framework protecting their right to work (UNCTAD, 2001: paras. 49-50). In this context, it is important to highlight the fact that States have positive obligations to take action to promote equality between men and women, and not simply to protect against discrimination. This is particularly important if women are to use the potential gains offered by trade not only for short-term advantage, but to achieve structural change and long-term equality with men.

Consequently, it is important to analyse closely policies – including trade policies – to determine the extent to which they promote greater equality, exacerbate inequality or merely maintain the status quo. The next step is to establish whether differences between men and women should lead to some form of differential treatment in favour of women. Once the different effects on men and women of lowering tariffs on agricultural imports and reducing domestic support for small or poor producers are understood, trade rules and policies can be reviewed to see if special measures could be introduced to redress any imbalance. For example, upon a review of existing agricultural trade rules and policies for their impact on men and women resulting from trade liberalization, a State might introduce complementary measures for redressing any inequalities between men and women, compensate victims of discrimination or ensure that such inequalities do not recur. Thus, it might consider introducing a special subsidy for female-headed households, raising tariffs on food security crops in certain situations, lobbying to improve market access for agricultural products from developing countries in wealthy markets, or participating in international development assistance programmes targeted at women who have not benefited from the processes of trade liberalization. Importantly, reviewing trade rules and policies from a gender perspective might also reveal positive experiences, where trade has improved equality between men and women. Any best practices thus derived could be shared and replicated. In these ways, the mainstreaming of a gender perspective in the formulation, implementation and review of trade rules and policies will help avoid discrimination based on sex and promote equality in the process of trade liberalization.

### **3. PROMOTING EQUALITY BETWEEN MEN AND WOMEN IN TRADE USING A HUMAN RIGHTS APPROACH**

Human rights treaties are not the only means for achieving greater equality between men and women in the context of trade rules and policies, but they do provide internationally agreed standards by which to promote such equality and protect against discrimination based on sex. Furthermore, in practice, framing claims for equality between men and women in terms of

rights identifies rights/claim holders and duty bearers, and broadens and deepens the gender and trade debate to include other human rights and principles such as participatory rights and the right to a remedy. The following sets out some of the principal areas where adopting a human rights approach to promoting equality between men and women in the context of trade can add force and precision.

### **3.1. The underlying objectives of the principle of non-discrimination**

The prohibition of discrimination under international human rights law carries particular weight because of its connection with the advancement of substantive equality. Indeed, the human rights principle of non-discrimination is intrinsically linked with the principle of equality. As two sides of the same coin, non-discrimination and equality provide the foundations for the free and equal enjoyment of human rights. Importantly, the equality referred to is not restricted to formal equality, but extends to achieving substantive equality. This is illustrated by the fact that States carry obligations under human rights treaties to take positive measures to redress the structural biases that lead to discrimination. For example, CEDAW (Arts. 3 and 4) specifies that States have obligations to take all appropriate means in the political, social, economic, and cultural fields to combat the roots of discriminatory attitudes; to this end they may introduce special temporary measures such as affirmative action schemes aimed at accelerating equality between men and women. Consequently, the human rights concept of discrimination and equality goes beyond combating merely superficial manifestations of discrimination; it takes into account social realities – the underlying historical, social and cultural reasons why women are indirectly unfairly treated in apparently sexually neutral situations. The philosophical underpinnings of the human rights concepts of non-discrimination and equality therefore provide a strong, internationally agreed foundation upon which to promote equality between men and women in the context of globalization.

### 3.2. Participatory rights

A human rights approach to promoting equality between men and women in and through trade also promotes participatory rights. All women and men have the right, without discrimination and without unreasonable restrictions, to participate in the conduct of public affairs, directly or through freely chosen representatives.<sup>15</sup> Under CEDAW (Art. 8), States have undertaken “to take all appropriate measures to ensure to women, on equal terms with men and without any discrimination, the opportunity to represent their Governments at the international level and to participate in the work of international organizations”. Consequently, a human rights approach to analysing equality between men and women in the context of trade considers not only the question of inequality, but also the need to promote and protect the rights of both men and women to play a role in decisions concerning trade rules and policies. In this way, participatory rights can provide a means of avoiding discrimination in the first place.

Nonetheless, women are still underrepresented in decision-making positions, and women’s groups are often not consulted on trade issues. A review of the implementation of the Beijing Platform for Action, for example, indicates that women’s representation in government decision-making positions remains low. At the cabinet (ministerial level) and sub-ministerial levels (minister, deputy minister, permanent secretary and head of department) only 7.4% of cabinet ministers worldwide were women in 1998, and the majority of women ministers were still concentrated in social sectors such as education, health, women and family affairs (United Nations, 2001: 135). A report by the United Nations Development Fund for Women (UNIFEM) entitled, *Progress of the World’s Women 2002*, found that women account for an average of 14 per cent of members of parliament worldwide, with only 11 countries meeting the benchmark of 30 per cent representation of women in parliament. Significantly, in each of those 11 countries, quotas on women’s participation had either been legislated or adopted on a voluntary basis (Elson and Keklik, 2002: 40). Women also tend to be underrepresented in decision-making at other levels, a situation which should be improved, particularly in areas where their participation is

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<sup>15</sup> See *International Covenant on Civil and Political Rights*, Art. 25(a).

significant such as the agricultural and services sectors (UNCTAD, 2001, paras.16 & 46). On a positive note, women have a slightly greater representation than men on the WTO Secretariat regular staff.<sup>16</sup> However, the overall lack of women's participation could be leading to gender blindness in the formulation, implementation and review of trade policies.

### **3.3. The right to a remedy**

One of the “added values” of considering economic, social, political and cultural issues in terms of legal rights is the legal machinery available for enforcement of rights and the possibility of securing a legal remedy. Indeed, the right to a remedy in the case of violations of human rights is itself a human right.<sup>17</sup> While the use of legal means to combat discrimination and promote greater equality might not always be the best or most appropriate for addressing inequality between men and women, as noted above it does give particular force to claims for equality between men and women in the field of trade, particularly given the legal nature of trade commitments. Thus, in some cases, inequalities between men and women could be addressed by resort to legal means of redress such as national courts and tribunals, ombudsman offices and national human rights institutions. Beyond the national level, regional and international mechanisms of redress also exist such as the European Court of Justice, or the various expert committees established to monitor international human rights treaties such as the Committee for the Elimination of Discrimination Against Women referred to above.

In addition, several international human rights treaties have complaints mechanisms – known as optional protocols – whereby individuals, and sometimes groups, can bring claims of violations of human rights before treaty bodies. Examples of such mechanisms are the First Optional Protocol to the International Covenant on Civil and Political Rights and the Optional Protocol to CEDAW. Under complaints mechanisms, individuals, and at times groups, can bring claims against a State party to a treaty (through its

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<sup>16</sup> See WTO website <http://www.wto.org> (accessed 28 January 2004), which notes that of 555 regular staff, 283 are women.

<sup>17</sup> See *Universal Declaration of Human Rights*, Art. 8.

optional protocol) concerning violations of human rights by the State which has jurisdiction over the claimant. A particular committee, upon judging the admissibility of the claim, will then examine the complaint and some committees, such as CEDAW, may also undertake a confidential investigation in the country. The experts may recommend interim measures to ensure that irreversible damage does not occur and, at the end of the examination, will adopt concluding views. Where a State is found in breach, the Committee will include recommendations to the State to remedy the violation. That State then has six months in which to respond to the committee, indicating the action it has taken. Both the concluding views and the State's response are published in public reports.

The right to a remedy must be seen in the context of the wider question of access to justice. People-centred access to justice concentrates on: (a) promoting the availability of remedies for grievances to poor, disadvantaged and excluded people; (b) improving their capacity to demand such remedies through formal and informal justice systems; and (c) developing the capacity of institutions to deliver remedies. Specific human rights such as equality before the law, equality before courts and tribunals, equal protection of the law, and the right to social security (such as legal aid) are all important elements in promoting people-centred access to justice. Such justice provides the means to individuals and groups of individuals to defend their human rights before competent, independent and impartial tribunals established by law. The development of conditions that promote access to justice is a critical element in developing and maintaining policies – such as trade policies – that respect human rights, including the prohibition of discrimination on the basis of sex.

#### **3.4. Monitoring and accountability**

The nature of human rights, as fundamental or basic standards of achievement in social, economic, political and cultural fields, underlines the need for indicators and benchmarks by which to measure and monitor achievements. The most direct way that this is achieved at the international level is through committees of independent experts – known as treaty bodies – that monitor the implementation of human rights treaties. When a

State ratifies an international human rights treaty such as CEDAW, it also assumes the obligation to submit reports periodically to the treaty body on the measures it has taken to ensure the enjoyment of the rights provided in the treaty. The treaty body examines the reports of the State party along with information from a variety of other sources, including NGO reports, on the human rights situation in that country. The examination of the reports culminates in the adoption of “concluding observations” in which the treaty body presents its findings and makes specific recommendations for the State party for future action. The State party is then required to report on the implementation of those findings in its next report. In the case of CEDAW, each State party is required to report every four years to the Committee. While the recommendations of treaty bodies are not legally binding as such, they are public documents, and the examination of States parties’ reports is also a public process. Consequently, the treaty bodies provide an international forum for groups concerned with promoting equality between men and women to raise discrimination-related issues in the context of trade rules and policies.

Another means of monitoring equality between men and women in the context of trade rules and policies, which is increasingly being discussed, is through human rights impact assessments of trade and policies. Such impact assessments would use the main human rights treaties as a framework, and compare existing trade measures in trade agreements or trade policies as well as potential measures against those norms and standards. Thus, in the case of gender impacts, human rights assessments would consider the impact of trade rules and policies on gender relations, including any manifestation of *de jure* or *de facto* discrimination, while also examining the underlying positive and negative effects that particular rules and policies have had. The assessments would consider the effects of trade rules and policies across the range of human rights: civil, cultural, economic, political and social. The international human rights treaties would also provide a procedural framework for undertaking assessments. Thus assessments would consider not only the effects of trade on equality between men and women across sectors, such as education, health, food and water, they would also be based on a methodology that relied on “process”, emphasizing the right to participate in public affairs, the right to

information, freedom of expression and association, and the right to a remedy in case of violations. The results of assessments would be relevant to the formulation of national trade policy and international trade rules, as well as providing material for reporting to the human rights treaty monitoring bodies referred to above.

The Office of the High Commissioner for Human Rights has repeatedly promoted the possibility of developing methodologies for States to undertake human rights impact assessments of trade rules and policies (see, for example, Economic and Social Council, 2004, para. 54). While considerable work has been undertaken on human rights assessments of programmes – such as development programmes – relatively little research exists relating to similar assessments of rules and policies. This is a key area for the future development of a comprehensive human rights response to promoting equality between men and women in the context of trade rules and policies.

### **3.5. The legal force of Human Rights in the context of WTO law**

Just as States have undertaken to liberalize trade on the basis of bilateral, regional and multilateral trade agreements, they have also agreed to combat discrimination and promote equality between men and women in all fields, including trade, through regional and international human rights treaties. While much of the action for improving equality between men and women takes place at the national level, the particular nature of trade rules and policies, spanning both national policy-making and regional and international agreements, emphasizes the need for action at both the national and international levels. For this reason, human rights – which similarly span national, regional and international levels – provide a useful framework. Moreover, this framework carries force in the context of trade. More than just a good idea, States have undertaken obligations under human rights law to address discrimination and inequality in all fields, including trade rules and policies. CEDAW (Art.3), for example, establishes that States parties shall take *in all fields*, particularly in the political, social, economic and cultural fields, all appropriate measures, including legislation, to ensure the full development and advancement of

women. Framing calls for greater equality between men and women in and through trade in terms of legal obligations provides not only moral significance but also considerable legal force to claims – particularly given the fact that all WTO Members have ratified at least one international human rights treaty.

## **5. CONCLUSIONS**

The present chapter has sought to illustrate the relevance of human rights as a legal framework through which to strengthen calls for improved equality between men and women in the context of trade rules and policies. While not the only way to do so, human rights provide the force of internationally agreed standards and established monitoring mechanisms to combat discrimination and inequality. At the same time they harness, in a more focused way, the enormous benefits that trade can offer to empower individuals and achieve greater equality within societies. Importantly, the equality sought is not simply formal equality, but equality that examines the structural biases in societies that can lead to the stigma, disadvantage or vulnerability which maintain and exacerbate inequality. At times, human rights treaties require special measures to be introduced to promote opportunities for those who have traditionally suffered from discrimination or who need additional assistance to benefit from the opportunities offered through trade. Significantly, trade has great potential to empower men and women, but trade policies that remain “neutral” in terms of their effects on men and women will not be as efficient in overcoming the structural bottlenecks that hinder people from making the most of the benefits offered by trade.

The following recommendations identify areas which, from a human rights perspective, are particularly relevant to promoting equality between men and women in trade rules and policies.

### *Increasing women’s participation in decision-making*

States could enhance the participation of women in policy- and decision-making by increasing the number of women in key economic decision-

making positions, and by consulting with governmental bodies responsible for gender issues in relation to trade policy issues. States could also establish advisory groups on gender integration into trade policies and trade reviews, and ensure that their views are reflected in trade policy and trade negotiating positions.

*Connecting human rights treaty body mechanisms with the trade and gender discussion*

States could include references to equality between men and women in the context of trade rules and policies in their periodic reports to human rights treaty bodies, particularly in relation to reporting on the implementation of non-discrimination provisions. In this regard, specific attention could be given to the question of trade and gender in the preparation of reports to the Committee on the Elimination of Discrimination Against Women. States might also indicate whether they have introduced complementary measures to promote substantive equality between men and women (e.g. through the introduction of temporary special measures). Civil society could raise questions of non-discrimination, equality between men and women, and trade in its preparation of shadow reports to treaty bodies. Consideration could be given to the preparation of papers on trade issues specifically for treaty body members so that they are well informed about the types of trade concerns of relevance to particular human rights treaties.

*Developing methodologies for human rights impact assessments*

States could undertake national human rights impact assessments of existing and potential trade rules and policies. Such assessments should be public and participatory, focusing in particular on disadvantaged and vulnerable groups as well as on gender effects of trade rules. States could then use their national assessments to inform their negotiation positions in trade fora, including a consideration of their impact on men and women. To this end, it would be important to consider the means and modalities of establishing a methodology for undertaking such assessments that identifies rights-holders and duty-bearers and includes specific benchmarks and indicators that can measure the enjoyment of rights in the context of

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specific trade rules and policies. The international community could increase its efforts to design and implement technical and financial assistance programmes that are directed towards assessing gender impacts of potential and existing trade policies and towards enabling women's organizations to have greater access to and influence over economic decision-making processes.

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## Chapter 11

# TRADE AND GENDER: WHY COMPETITION POLICIES MATTER<sup>1</sup>

### INTRODUCTION

Competition policy is concerned with preserving and promoting competition, both by enforcing competition law against restrictive business practices (RBPs) by firms,<sup>2</sup> and by influencing other government policies or measures affecting competition, including trade policies. Under many competition laws, competition authorities are provided with the mandate to advocate that competition criteria be taken into account in the design or implementation of other government policies. The key benefit – and the common aim everywhere – of competition policies is to promote economic efficiency and consumer welfare by encouraging entrepreneurial activity, market entry by new firms, and more enterprise efficiency and competitiveness (UNCTAD, 1998).<sup>3</sup> The two main types of efficiency promoted by competition are static efficiency (optimum utilization of existing resources at least cost) and dynamic efficiency (optimal introduction of new products, more efficient production processes and superior organizational structures over time). Competition also ensures that cost savings are passed on to consumers, who would benefit as well from greater product quantity, quality and variety. In this context, consumers

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<sup>1</sup> This chapter has been prepared by Rajan DHANJEE, UNCTAD, Geneva.

<sup>2</sup> These may be subdivided into different types of: horizontal restraints among competitors or potential competitors in the same product market; vertical restraints up or down the chain of production and distribution; abuses of dominant positions of market power; and anti-competitive mergers, joint ventures or interlocking directorates.

<sup>3</sup> Apart from such goals, competition policies may also aim, in different jurisdictions, at other objectives such as: promoting competitiveness of national firms; ensuring freedom of economic action or fairness, controlling concentration of economic power, or promoting market opportunities for small firms; safeguarding the public interest (which may include maximizing national production or exports, or employment concerns); or market integration (in regional integration groupings).

include business users of intermediate inputs, whose product quality and cost structure would be improved by competition among their suppliers, as well as government public procurement agencies. Many developing-country markets are characterized by a high concentration of market power, company management and/or ownership of resources in relatively few hands (including both established domestic firms and foreign investors). An inefficient transport and communications infrastructure may also limit competition in many countries. Thus developing countries in particular would have much to gain from the introduction and application of competition policies at the national level. At the same time, RBPs practiced in foreign markets or emanating from overseas may adversely affect the interests of developing countries, both by increasing the cost of their imports and by hampering their exports.

Competition may result in individual losses as some producers lose market share and possibly exit from the market, while even consumers in individual product markets may suffer, at least temporarily, as resources are reallocated to more productive uses in other product markets – hence the emphasis of competition policy on keeping market entry barriers low to allow new entry of producers. Overall, the economy would gain, at least in the long term. However, many of the benefits of competition may be lost in the absence of supply capabilities to take advantage of the new opportunities it can create, although competition can play a key role in promoting the creation of such supply capacities. Thus, import competition may boost the structural efficiency of industry by giving domestic firms greater access to inputs which are unavailable or more costly in domestic markets; it may also impose pricing discipline and improve technical efficiency. But gains from these may, at least in the short term, be offset by income and adjustment losses from the shrinking of domestic industry.

Many developing countries appreciate the key role that competition can play in supporting development efforts, and this shift in perceptions has contributed to widespread deregulation, price liberalization, demonopolization, privatization, removal of subsidies, liberalization of trade and foreign direct investment (FDI) policies and, in many cases, the adoption or reform of competition laws and policies to try to ensure that

private restraints do not replace governmental restraints. This is in line with the Set of Multilaterally Agreed Equitable Principles and Rules of the Control of Restrictive Business Practices,<sup>4</sup> which calls upon States to adopt, improve and effectively enforce competition legislation for controlling RBPs (see Art. E.1). The actual content and application of competition laws and policies, and their relationships with industrial and trade policies have varied among different countries at different times, as countries have sought with different degrees of success to promote the technological capacity and international competitiveness of their industries, compensate for the effects of market failures or ease structural adjustment.

Competition laws are being applied by developing-country competition authorities to control RBPs in their markets, but often with limited success, given their shortage of resources, information and expertise. These deficits may be linked to the weakness of the "competition culture" in many of these countries<sup>5</sup> so that, for example, there may be:

- Underestimation by policy-makers of the importance of the work of competition authorities, resulting in reduced resources allocated to them;
- Limited response by governments to advocacy efforts by competition authorities that urge reduction of regulatory entry barriers to markets;
- Little attempt by governments or by academics to collect data relevant to competition policy matters;
- Half-hearted compliance by businesses;
- Efforts by trade or professional associations to limit competition through: cartelization (by fixing prices and/or by allocating customers, sales or production quotas or product or geographical markets); restricting their membership; providing for rules which disfavour new entrants (e.g. by restricting advertising); or lobbying against the granting of more business licences by the regulatory authorities (e.g. taxi licences);

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<sup>4</sup> See United Nations General Assembly Resolution (1980).

<sup>5</sup> See International Competition Network (2003); Consumers International (2001); and CUTS (2003).

- Difficulties in detecting or proving the existence of secret cartels in an environment where there is no social consensus that cartels are really reprehensible; and
- Lack of initiative by consumer groups or the public to make complaints.

## **1. APPLICATION OF COMPETITION POLICIES: SOME IMPLICATIONS FOR GENDER EQUITY**

From the above general considerations, it is possible to identify some areas in which the gender dimension may come into play in the application of competition policies. These may be broken down into the overlapping roles of women as: (a) consumers, (b) entrepreneurs, and (c) workers. Under each category, some ways in which competition policies might be applied to better factor in the gender dimension are suggested.

As consumers, since women have the main responsibility for household expenditures, particularly on day-to-day basic needs such as food, clothing or utilities, they clearly have a strong interest in the consumer-welfare benefits that competition policies can bring. Thus, in determining how enforcement or advocacy efforts might be directed and resources allocated, high priority might be given to those product markets that concern women the most, as well as to vertical restraints and/or abuses of dominance linked to distribution networks. Since these product markets would include utilities such as electricity, telecoms and water, competition authorities and/or the competent sectoral regulators would necessarily have to pay attention to any RBPs by enterprises responsible for such utilities, particularly where they have exclusive rights. Appropriate advocacy efforts might also be undertaken to promote demonopolization, including by incorporating gender concerns in the design of privatization programmes. The involvement of women as consumers should not be seen only in passive terms, given the difficulties mentioned above in collecting data relevant for competition policy purposes, of inducing businesses to comply with competition laws, or detecting or proving cartelization. Competition authorities could also try to encourage women to "blow the whistle" on the

existence of RBPs and to provide relevant evidence. This could be done either by women in an individual capacity or as members of consumers' or women's associations. A further step might be the involvement of women's associations in lobbying policy-makers about competition problems. For women to play such active roles, of course, appropriate awareness-raising efforts would need to be undertaken by competition authorities.

As producers, while women continue to work in agriculture and fisheries, they have also become increasingly involved in micro- and small and medium-sized enterprises (SMEs); in some cases they have also become more dominant in the expanding informal sector. But women's enterprises are the smallest among SMEs in least developed countries (LDCs). There is substantial data indicating that women's participation in economic activity is hampered by their limited access to capital, land, production inputs, new technologies and business premises, which means that when opportunities arise with new markets, women are slow to take advantage of them. Thus, as existing or would-be entrepreneurs, women would be assisted if competition authorities were to:

- Generally take action against RBPs that hamper market entry, such as abuse of dominant positions linked to discriminatory pricing, terms or conditions in the supply or purchase of goods and services;
- Identify and take action in respect of "strategic bottlenecks" to competition that hamper entrepreneurship, such as RBPs hampering access and/or raising the cost of essential business services, including financial and banking services; and
- Distinguish between those practices by trade or professional associations that are reasonably necessary to maintain standards and protect consumers, and those practices having an unjustifiably anti-competitive effect. In addition, undertake enforcement efforts against such RBPs (or appropriate advocacy efforts where regulatory restrictions are also involved).

Such action by competition authorities for the purpose of facilitating entrepreneurship, including by women, should not only cover the formal sector, but also attempt to deal with the informal sector, despite the

difficulties. It should take into account the fact that even in countries that have a large modern sector, a significant percentage of women workers are in non-contractual employment. In any event, action against entry barriers in the formal sector would enable it to grow and thus better absorb informal operators. Any action by competition authorities in respect of RBPs or regulatory restraints that hamper female entrepreneurship would need to be taken on the basis of specific and detailed data, again underlining the importance of women making complaints to the competition authority and providing facts to support their complaints.

At the same time, the application of realistic economic analysis by competition authorities in enforcing competition laws would help to avoid unduly discouraging women entrepreneurs in SMEs. A variety of different types of exemptions which often overlap may be utilized for this purpose, including *de minimis* exemptions for transactions involving firms with turnover or market share below a certain threshold, or personal exemptions relating to some activities of SMEs or agricultural cooperatives (such as where a number of small sellers are combining forces in dealing with a powerful buyer). Competition policy controls upon discriminatory terms or conditions should also not be applied in a manner that would impede the operation of "affirmative action" policies in procurement or bank lending, for example. Even in the absence of legislative exemption powers, such issues may be handled through the inherent "prosecutorial discretion" involved in decisions on individual cases.

Often, there may be an overlap between action helping women in their capacity, on the one hand as consumers, and on the other hand as entrepreneurs seeking to enter or expand in the market and keep their business costs low. For example, action against RBPs linked to distribution networks, utilities or banking services would help women both as consumers and as would-be entrepreneurs. In general, both consumers and entrepreneurs would benefit from action by competition authorities to address the supply-side constraints often experienced in developing countries. Such actions could include upgrading developing-country firms' incentives or abilities for productive investment, acquisition of technology, supply capabilities and competitiveness, as well as helping to develop

countries' infrastructure. Increased competition through trade liberalization may also be beneficial for both consumers and entrepreneurs. To the extent that international trade increases incomes, returns and employment opportunities for women, provides cost-quality competitive food, consumer goods and services or presents new and exciting avenues for harnessing their talents and entrepreneurial spirit, there is a possible positive sum relationship. However, RBPs practiced in foreign markets or emanating from overseas may adversely affect the interests of all parties within developing countries. It has been estimated, for instance, that over the past decade, international cartels have cost consumers, exporters and governments in the developing world billions of dollars every year (Evenett, 2004). Market concentration in some commodity and agribusiness markets, in large distribution networks, and in some dynamic sectors or industries that are of major importance for developing countries may hamper market entry by developing-country producers and exporters, negatively affecting their competitiveness, and they may also adversely affect developing-country consumers (UNCTAD, 2003a and UNCTAD, 2003b).

However, tensions and dilemmas may sometimes arise, particularly where the processes of trade liberalization and consequent structural adjustment in developing countries impose hardship, loss of income, employment and purchasing power, and cause difficulties in competing with larger foreign enterprises and products. Difficulties may be especially acute for women entrepreneurs, since their enterprises may often be concentrated in a limited number of traditional sectors, as in many African countries where women-owned enterprises are concentrated mainly in textiles, handicrafts, agriculture, small-scale retailing and services. In those situations, there is a tendency towards redundancy in women-owned enterprises producing identical products, leading to market saturation, overcapacity and surplus supply, which in turn adversely affects margins and prices (Khaïat, 1999). Women mostly engage in small-scale trade and primary production with barely any value added to their products. This increases the level of competition within the local market for such products and the potential for failure. At the same time, liberalization exposes them to further competition in which they are at a comparative disadvantage compared to competitors

from both the more developed economies and the national one. There are many documented cases of displacement of small producers, for example, in Africa, such as the loss of local market share in baskets and other artisanal products by Kenyan small producers (Căgatay, 2001).

Similar trade-offs may be experienced by women in their capacity as workers. On the one hand, competition should be good for economic growth in the long term, thus increasing employment opportunities for women. On the other hand, competition would also necessarily result in job losses as some firms go out of business. This dilemma has come into greater focus in the context of increased global competition, which has promoted more sourcing of lower cost products from developing countries and substantial increases in the share of women workers employed in the manufacturing labour force. In developing countries, formal sector manufacturing employment opportunities for women in developing countries are now concentrated in production for exports, and trade-related demand for female labour has also grown within the informal sector through subcontracting links with the formal sector (UNCTAD, 1999; UNCTAD, 2001 and Căgatay, 2001). But global competition has also sometimes adversely affected developing-country workers. Increased global competition may also put pressure on working conditions. Even firms that are successful competitors may reduce costs related to their workforce. In this respect, much appears to depend upon both the skills required and the degree of competition. Comparatively favourable employment conditions for women workers appear to prevail in the production of high-end, technology-intensive products that rely on consistent quality and reliability in their production, or where it is necessary for affiliates of transnational corporations or domestically owned firms to retain skilled workers by paying commensurate wages, or to protect their reputations and brand names. Moreover, in some countries, customized businesses in services requiring higher skills such as software design, computer programming and financial services, as well as personalized services catering to high-income groups such as banking and insurance are echoing the gender impact of expansion in the export sector of manufacturing, perhaps at a higher point in the wage scale (Căgatay, 2001). On the other hand, in industries producing standardized products

where there is strong global competition for markets, and thus for the investment and employment related to them, product prices and therefore wages are subject to far more pressure.

These trends relating to manufacturing should be seen in context; in developing countries, the majority of the labour force remains outside the manufacturing sector, and women continue to constitute the majority of the rural poor. They carry most of the responsibility for food production and family food security, and where trade expansion has led to increased production of traditional cash crops, women's labour has been mobilized without proportionate monetary rewards. In parts of Latin America, Africa, and South Asia, a new form of "industrialized" agriculture for exports is emerging which is drawing some women into wage employment in rural areas. But case studies suggest that trade liberalization in agricultural economies can disadvantage women or benefit them less than men, even when traditional export crop production increases (Căgatay, 2001). Moreover, women tend to be the ones experiencing the main problems associated with commodity trade. For example, there is a direct connection, between low-value retention and value-chain participation by developing country producers and declining terms of trade, on the one hand, and the condition of women, on the other. Market concentration within such sectors as food processing, the commercial seed industry, commodity trading or large distribution networks may contribute to such problems. In the farming inputs sector, for instance, it was estimated in 1997 that 10 companies controlled 40 per cent of global sales in commercial seeds, while three multinationals controlled 70 per cent of the seed market in Asia, and as a result of mergers and acquisitions, the region had effectively two competitors in the commercial corn seed market (UNCTAD, 2003b).

If developing-country entrepreneurs and workers, including women, are to diversify out of such low-value-added sectors, which often involve poor working conditions, market entry barriers into higher value-added sector would need to be lowered. In the travel and tourism sector, for instance, it appears that market concentration among tour operators and restricted access to computerized airline and hotel reservation systems is contributing to the low retention within destination countries of the revenue generated

by tourists. As a result, even developing countries enjoying tourism booms often derive limited benefits in terms of foreign exchange earnings, employment, income generation, and long-term contributions to economic and social development (Evans, 1999).

## **2. CONCLUDING REMARKS**

Clearly, the issues discussed here cannot be dealt with in the context of competition policy alone, but competition authorities might make a key contribution to the formulation and implementation of appropriate economic policies. While fulfilling their role of advocating the application of competition principles to other government policies or measures, competition authorities might not only recommend liberalization, but also how, when and in what stages it might be undertaken so as to minimize costs and maximize benefits. They could also provide advice as to how legitimate economic goals (such as the protection or promotion of sectors with high female employment) might be attained through less competition-restricting measures. Effective enforcement against RBPs might be combined with an economically realistic approach to cooperation and concentration, which fully takes into account efficiency questions and assesses markets in a dynamic manner. In the context of developing countries, flexibility in applying competition law and policy may be particularly necessary in order not to impede efficiency, growth or development goals (as provided for in the Set of Principles and Rules, referred to in the introduction), and coherence would need to be ensured between competition policy and other policies aimed at promoting development. This would facilitate the achievement of the structural changes required for economic development and help promote dynamic sectors or industries (several of which, as noted above, often have a high percentage of women in their workforce), while providing some protection for weaker sections of the population (including women) from the vagaries of the market.

Given the situation concerning women's participation in export trade, dynamic sectors or industries and agriculture, special attention might be paid by competition authorities to market foreclosure by large distribution

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networks in the leading export markets of developing countries. They should also address problems related to concentrated structures or anti-competitive practices in dynamic sectors or industries of major importance for developing countries (such as travel and tourism, pharmaceuticals, information technology, or creative industries), as well as in commodity and agri-business markets at the international level.

However, many of these issues cannot be addressed solely through national action, but would require a strengthening of international cooperation in this area. UNCTAD's intergovernmental machinery, including its Intergovernmental Group of Experts on Competition Law and Policy, may provide an appropriate forum for the exploration of possibilities for international action in this area.

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## Chapter 12

# **TRADING OFF INEQUALITIES: GENDER TRADE IMPACT ASSESSMENT AS A TOOL FOR TRADE REFORM<sup>1</sup>**

### **INTRODUCTION**

More than 1.2 billion people live in abject poverty, with women forming the majority of the world's poor. Key development assistance agencies – including the United Nations, bilateral donors and the Bretton Woods institutions – have agreed a commitment to halve the number of the world's absolute poor by 2015. This is part of the international development targets set at various United Nations conferences in the 1990s. The United Nations' Millennium Declaration provides the essential framework for ensuring that the international system focuses systematically on poverty reduction. In calling for an “open, rule-based, predictable and non-discriminatory trading and financial system” that includes a commitment to good governance, development and poverty reduction, signatories to the Millennium Declaration acknowledged the need to revisit the trade agenda.

Trade is an important engine of economic growth in many countries, both in the North and South. For the least developed countries (LDCs), trade has not been able to promote development anchored in rural security and livelihoods. The impact of trade liberalization on gender inequalities and the impact of gender inequalities on trade performance are particularly complex. Trade policies and performance affect men and women differently depending on their location in the economy and their command over resources. At the same time, gender-based inequalities have differential effects on trade, depending on the type of economy and sector,

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1 This chapter has been prepared by the staff of the United Nations Development Fund for Women (UNIFEM), New York and Marina Fe B. DURANO, International Gender and Trade Network. Section 4 has been prepared by Asako OSAKI, UNDP, New York.

so that trade performance may not yield the expected positive outcomes. Looking at trade from a gender perspective is therefore essential in making global trade policies and practices work for people.

Trade liberalization has produced winners and losers. Trade policies have tended to concentrate losses among the poorer groups and gains among the richer groups. One study found a negative correlation between openness to the world economy and income growth among the poorest 40 per cent of the population, but a strong and positive correlation with growth among higher income groups (Lundberg and Squire, 1999). Policy responses are required to bridge the widening gap due to some of the negative impacts of trade on human development and gender equality in developing countries, and to realize the potential that trade offers to improve living conditions and provide genuine opportunities for the world's poorest, particularly women.

This chapter explores several key challenges to gender equality and rights originating from trade policies, and presents recommendations for moving towards a gender-sensitive international trading system. It highlights the need for more coherent approaches in the development of macroeconomic and social policy agendas. Specifically, the chapter demonstrates that gender trade impact assessments (GTIA)<sup>2</sup> can be used as a tool to ensure that trade policy formulation is responsive to the reality of poor women's lives.

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<sup>2</sup> For example, Women's Edge Coalition has developed and tested a Trade Impact Review framework that enables trade negotiators, governments and others to forecast the potential drawbacks and benefits of trade agreements (see: <http://www.womensedge.org>); Women in Development Europe (WIDE) has developed a set of gender indicators that can be used to understand, measure and monitor the relationship between trade and gender (see: <http://www.eurosur.org/wide/home.htm>); the Association of World Council of Churches-related Development Organizations in Europe, APRODEV, has commissioned a gender-based impact assessment study on issues for women around economic partnership agreements (EPAs) and future trade negotiations with the EU (see: <http://www.aprodev.net/>).

## **1. CHALLENGES FOR TRADE POLICY, SOCIAL POLICY AND MACROECONOMICS**

If macroeconomic policy is to benefit more than a narrow segment of the population, it cannot be separated from social policy. If understood separately, benefits accruing from one set of policies can be easily negated by another set.<sup>3</sup> In developing countries the role of the State in social policy has been shrinking in recent decades, largely due structural adjustment policies and the global macroeconomic reform agenda that has called for downsizing of State involvement and more support to markets and export-led growth. Because social policies in the area of health, education, maternal benefits, food programmes, employment protection and access to basic utilities are in the domain of State provision of social goods and services, the shrinking of the State's functions has weakened the security and living standards of poor women and their communities.

The United Nations Commission on Human Security (UNCHS) recommends an integrated view of macroeconomic and social policy that stresses the joint pursuit of “growth with equity and downturn with security”. That is, policy that enables a broad base of the population to benefit from growth, while protecting the vulnerable during times of stagnation. Social policy covers more than the compensatory policies that trade adjustment assistance or safety nets and social funds embody. Although compensation has its benefits “downturn with security” implies that whatever the source of crisis, a set of protective, non-market institutions should be in place to counteract negative social outcomes (UNCHS, 2003).

GTIA tools can allow policy-makers to anticipate and assess social implications of trade policies and agreements on women and disadvantaged

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<sup>3</sup> Berik (1999) raised the need to continue “work on engendering international trade models (Berik, 1999: 408), while Cagatay (2001) has said that “[c]ountry-specific studies of the gender-differentiated impacts of trade policies as well as country-specific studies on the ways in which gender relations and inequalities affect trade performance are needed” (Cagatay, 2001: 35). Gender trade impact assessments are an opportunity to achieve these needs.

groups. By doing so they provide the possibility for building coherence between economic and social policy outcomes.

*Export orientation and generation of overseas remittances need not rely on women's cheapened labour as the basis for competitive advantage.*

The pursuit by newly industrializing economies (NIEs) of export-oriented policies took place based on the assumption that their comparative advantage lay in specializing in labour-intensive production, justified by their abundant labour supply. A common method for promoting this type of industrialization has been the establishment of export processing zones (EPZs).

Hand in hand with export orientation in developing countries has been the sex-segregation of industries and occupations where certain types of work have been linked to gender role expectations. It has led to an increase in the number of women obtaining paid employment. Textiles, wearing apparel and footwear, leather goods, and toy production are examples of industries that mainly employ women because the work is seen to resemble the kind of work that women are *expected* to do in their respective households. Electronics is another industry that employs a large proportion of women, even though electronics and its associated machinery are often thought of as “male” products. In these industries, women’s involvement in production has been largely confined to assembly, testing and quality control. Unfortunately, in this case, women are sandwiched between the end-users and the engineer-designers who are predominantly male, so that the segregated “use” of female labour is extremely visible.

Elson and Pearson (1981) were among the first to show the global character of the interplay between gender roles and factories in a complex system of trade and foreign investment. Developing-country governments have participated in the arrangement as they compete to attract foreign direct investment (FDI) and increase their country’s export-market shares. This rise in female labour force participation in a context of competing enterprises and profit maximization has translated into wage deterioration, whether in terms of pay, working conditions, or enforcement of labour

standards. Large, gender-based wage gaps have been associated with the type of export orientation of the newly industrializing economies (Seguino, 2000; Standing, 1989; 1999).

In exploring the relationship between low wages and the higher share of women's employment in the garments industry in India, a study in 2003 commissioned by the United Nations Development Fund for Women (UNIFEM), in collaboration with UNCTAD, found that "the lowest overall wage rates occur precisely in those states where the female share of employment is the highest" (Mazumdar, 2003: 120). For example, the widest gap between male and female wages was found in Tamil Nadu, the state with the highest share of female employment, where women's wages were on average some 33 per cent lower than men's.

*Import liberalization should contribute to the security of livelihoods and care.*

The risks to livelihoods and security increase considerably when trade barriers are lowered in developing countries and subsidies are provided to farmers and businesses in industrialized countries. In most developing countries, trade liberalization was implemented after publicly provided support, in the form of input subsidies, consumption subsidies, and marketing arrangements, was removed during the period of structural adjustment. While large and medium-sized producers may be able to cope with the adjustment requirements resulting from the introduction of foreign products into deregulated domestic markets, smallholder producers are not in a position to do so. This results in situations where locally produced goods such as foodstuffs, mainly produced by women, go unsold because they cannot compete with cheaper imported agricultural products.

Net food importing countries and net food purchasing households are especially vulnerable to currency devaluations and will be more affected by a rise in imported inputs. Further, the food security of poor households is more susceptible to fluctuations in food prices. Barrett (1998) shows how price shocks induced by liberalization of agricultural policies in

Madagascar coincided with declines in nutrition, education and household expenditures.

Food security illustrates the degree to which livelihood and care are intertwined. For smallholder producers, competitiveness through increased productive efficiency is less of a concern than subsistence. Their state of poverty is such that reliance on a single source of livelihood is simply not sufficient. Thus, in the case of land-scarce, female-headed households in sub-Saharan Africa, who are among the most food insecure, multiple sources of livelihoods are needed to ensure the household's survival. Most of the women's activities are geared towards accessing informal sources of cash, such as retail trade and food processing, as well as some barter, for which the amount generated determines the type of expenditures they cover, including school and medical expenses or investments in livestock (Gladwin et al., 2001; Deere, 1995).<sup>4</sup>

Trade-offs of this kind are crucial when there is a change in the input and output price structures of food crops and cash crops. Where input prices cause cash crops to be "more profitable" than food crops, the shift in production emphasis towards the former can sacrifice the care element found in the latter. An intensification of the challenges faced by women farmers arises when cash and credit are unavailable, given the gender biases that favour men in resource markets, especially in terms of land ownership. These biases enable men, but not women, to plant cash crops or increase the proportion of land devoted to such crops. Owners of small pieces of land (i.e. the poorest households) will normally be risk-averse and give priority to the production of food crops over cash crops, even if "price incentives" indicate otherwise. Where gender roles and identities dictate that women secure food, as is the case for African women, women's

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<sup>4</sup> Peterson (1999), cited in Gladwin, et.al. (2001), reported that women farmers in eastern Zambia, for example, used "small money" activities, such as selling buns or fritters or sewing, to raise cash for grinding maize and buying soap and salt. "Medium money" activities, such as brewing beer and selling crops and livestock, raised cash for school fees and medicine. "Large money" activities, which are rare, such as producing cotton or tobacco, were used for purchasing fertilizer or investing in livestock.

efforts will concentrate on food production while cash generation is undertaken through other livelihood strategies.

*Institutional and legal restructuring in land, labour and credit markets is needed to remove gender biases in ownership, control, and access to resources.*

The behavioural changes that trade reforms seek in both production and consumption depend on the specific circumstances of intra-household relations, which encompass rules and practices governing marriage, household composition and kinship relations. These rules and practices define individual and collective rights and obligations between genders and generations. Governments intervene heavily in this arena through regulation and enforcement of these rights and obligations (Deere, 1995).

The responsibility for reproductive activities and for access, control and ownership over a household's set of resources is of particular importance in understanding the impact of trade reforms. The rules and practices that govern activities and resources influence the initial endowments of household members, primarily through marriage and inheritance, as well as the ability to transfer resources from one activity to another. For example, the distribution of land is particularly important, given that it is usually tied to access to credit markets as collateral for loans. Distribution and ownership of land has critical implications for women's participation in market activities and, hence, on their producer responses to trade reforms. Land reform, if instituted without serious consideration to culturally determined constraints, can seriously limit women's access to land, as was the case in Cameroon where government policies were biased towards "urban elites and 'big men'", leaving rural women in the margins with relatively small landholdings (Gladwin et al., 2001).

The opportunities that market participation provides to women depend on women's capabilities to convert the means available to them into the ends that they want to achieve. The State can provide a facilitating role by applying gender-responsive strategies in the formulation of economic policies.

*Declines in tariff revenues and the opportunity costs of tax holidays for investors should not contribute to national government budget pressures at the expense of social policy.*

Tariffs and customs revenues have been an important source of finance for developing-country governments. The direct effect of a decline in trade revenues due to liberalization is only one possible effect. Trade agreements that consider corporate taxes<sup>5</sup> as a source of distortions should be carefully negotiated so that the broader impacts are better understood. When viewed in tandem with investment policies that provide tax holidays to foreign investors, the opportunity costs can be significant. On the expenditure side, the implementation of commitments made in trade agreements can add to the strain on national budgets, since countries may be required to change their legal and administrative structures and procedures in line with the agreements, which necessarily implies costs.

Rao (1999) studied the dilemmas associated with the impact of trade liberalization on government revenues,<sup>6</sup> and showed that the share of trade taxation to total tax revenue fell from the mid-1970s to the mid-1990s for all country groupings in the study. The results also showed that trade was unable to increase enough to compensate for the tariff reductions' negative effects on revenues. A common approach to make up for the decline is to shift to indirect taxation such as value-added taxes (VATs).<sup>7</sup> These developments raise two concerns: the gender-differentiated welfare effects of indirect taxation, and the fiscal restraints that result from a decline in tariff revenues. Problems with data on social expenditures make it difficult to say much about the consequences in terms of social policy. However, a decline in the share of government expenditure in education as a share of gross domestic product (GDP) was observed for the same period (Rao, 1999).

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<sup>5</sup> This is particularly crucial when corporate taxation is more important than personal income tax for developing countries (Rao, 1999).

<sup>6</sup> See also Khattry (2003).

<sup>7</sup> Rao (1999) found that LDCs also saw a decline in the amount of their social security tax collections.

Changes in the relative prices of commodities resulting from indirect taxation can have regressive effects on the poor, who end up paying as much as the rich for their consumption needs, which constitute much of their expenditure. Richer households have a greater ability to pay the tax than poorer households (Floro, 2001). Poor women experience a double blow when household budgets are squeezed by indirect taxation, particularly when there is also reduced public provision of social services. Studies have found that women, generally, consume goods and services that benefit family nutrition, health and education, in contrast to men, who direct more of their income to consumption of personal items. Given women's differential consumption choices, indirect taxation (i.e. commodity taxation such as VAT) can result in a gender bias (Barnett and Grown, 2004).

The impact of tariff reductions due to trade agreements can have serious poverty-related consequences for women, particularly if agreements are implemented suddenly. A study in 2000 of import and excise taxes in South Africa showed that "women predominate in labour-intensive industries, such as clothing and textiles...[that were] hard hit by import tariff reductions" (Barnett and Grown, 2004: 45). While reduced import tariffs can result in lower prices of goods that benefit poor women as consumers, this must be weighed against costs in job losses.

Reassessing the structure of the sources of tax revenue against the other benefits of trade liberalization is an important step towards ensuring that the poor benefit from economic policy structures. An additional consideration is the sequencing of trade liberalization and tax reform so that the fiscal position of the State is not threatened. The lower a country's level of development, the more important is its need to strengthen its fiscal capacity through judicious policy choices.

*Social policy should be responsive to the requirements of flexibilization and informalization of labour markets.*

Both developed and developing countries are experiencing increased flexibilization and informalization of their labour markets. The labour

market is witnessing “more outworking, contract labour, casual labour, part-time labour, home workers and other forms of labour, unprotected by labour regulations” (Standing, 1999: 587). In line with the change in the nature of work is the observed increase in female labour force participation rates. These trends coincide with the push towards trade liberalization and the retreat of the State from labour market regulation (Standing, 1999; 1989).

In a study commissioned by UNIFEM of the knitwear industry in Tiruppur (India) in 2003, it was found that 96.3 per cent of women are employed as casual labourers. While liberalization has created opportunities for the Indian garments industry, and for women’s employment in the industry, it has also resulted in reducing the bargaining power of workers and increased the casualization of work. Because growth is taking place in unorganized sectors, women are not protected by labour laws (Center for Social Research India, 2003).

As the multilateral trading system begins to include the movement of persons in various international agreements and negotiations, concerns related to the impact on the female labour force need to be raised. Women increasingly comprise a significant share of international labour movement in response to changing labour requirements in foreign countries. They have been moving as nurses, care givers, teachers, domestic workers, entertainers, and even as factory and seasonal agricultural workers. Their “alien” status, however, separates them from other domestic workers, resulting in restricted access, if any, to social security and protection. Among the most vulnerable are “irregular” workers.

These developments clearly imply the need for significant restructuring of the social protection that governments provide. Restructuring in response to new trends should take place alongside reform of existing forms of social protection that carry biases against women, largely due to the male-breadwinner assumption. Systems of protection need to expand their coverage to provide effective security for the poor and poorest during economic shocks and downturns.

A reorganization of systems of protection, both in terms of revenue generation and benefit dispersion, is necessary to respond to the needs created by the changes in forms of employment. “[L]ocal, small-scale, less formal systems based on the already existing solidarity networks for women (ILO, 2000: 8)” can serve as complementary systems. Governments will have to increase their role even more under these circumstances, while “alternative forms of collective institution (Standing, 1999: 600)” will also have to be considered. These efforts can be strengthened through international financing of social protection (UNCHS, 2003).

*Women should not become the default providers of care and social protection.*

In the face of insecurity in the market and the retreat of the State, poor households are being forced to find ways to meet basic needs. Poor families, particularly the women in these families, resort to multiple livelihood strategies while simultaneously creating multiple strategies for care. Understanding these strategies is crucial to the design of policy that can contribute to well-being, gender equality and human development.

Studying time-use has shed light on the relationship between market work and non-market work for both genders. Floro (1995) discussed the possible trade-offs between these two sets of work in the context of economic restructuring that results in changes in labour force participation of women, in income, and in the composition and structure of households. When employment is scarce and resources are limited, women, particularly poor women, often have to increase the amount of time spent in the domestic sphere through increased subsistence production or substituting own-labour for previously bought services. Other members of the household or members of the immediate community, particularly girls and older women, are relied on as sources of unpaid labour, especially for performing caring functions.

Time squeeze is defined as the performance of two or more activities in a given block of time so that these activities are said to overlap. Overlapping activities can be any mixture of domestic work, leisure time, or even

market work – such as petty production or subcontracted work – performed within the household. As Floro (1995) explored, time squeeze affects well-being beyond the trade-offs in time allocation.

Subcontracted home-based work is particularly lamentable, since it involves a situation where both the private sector and the government have renege on their responsibilities for social protection. Lack of access to public care facilities, such as institutionalized childcare, combined with low cash positions, have made women vulnerable to offers of home-based work. It is convenient to have women available to perform care under any circumstances as the State cuts back on commitments.

Women have also been known to engage in community-management activities, which involve responsibilities beyond their immediate households and which support social reproduction activities. This is because of a greater reliance on social networks and informal care arrangements to meet needs. Organized civil society is an important source of finance, insurance and skills development that complements informal networks. Rather than encourage the State to continue reducing its responsibilities, governments can support these efforts for community development.

## **2. GENDER TRADE IMPACT ASSESSMENTS: CIVIL SOCIETY EXPERIENCES**

Gender trade impact assessments (GTIAs) can support greater coherence in economic and social policy prescriptions by revealing potential negative human development impacts of trade policies on poor women and vulnerable communities. Effective public policy relies heavily on information and analysis. International trade analysts frequently use various methods to estimate “effective protection rates”, “social welfare/costs”, and “deadweight losses”, given the levels of tariffs, subsidies and other price- or quantity-based measures imposed on tradable commodities. Computable general equilibrium models are used to assess an aggregate measure of the impact of trade on the entire economy, particularly on levels and rates of gross national product (GNP) and employment. With these methods, the

basis for judging the desirability of a policy direction is based on the efficiency impact, mainly on the cost of production or the price of consumption.

GTIAs move away from purely efficiency-based technical approaches, towards evaluating the types of human development, gender equality and poverty reduction strategies that trade policy could promote. These assessments can be used to “assess the direct and indirect economic effects of a change in trade or investment policy as well as the legal and regulatory changes or conflicts that a new trade policy may pose” (Women’s Edge Coalition, 2003). Evaluation is not meant to be purely quantitative. Indeed, the aim is to give the evaluation of trade policy impacts a human face. GTIAs can enable the identification of structural constraints to gender equality and human development, and, as such, inform policy discourse and recommend economic and social policy adjustments that respond to the negative impacts of trade liberalization on the poor.

GTIAs will likely lengthen international trade negotiation processes, and this delay may meet with resistance from trade ministers. The benefits of conducting the assessment, particularly at the national level is worth the delay because GTIAs can provide space for women and men, and enable them to directly engage in the public policy process thereby enhancing democratic governance of the multilateral trading system. The preferred approach is that these assessments be conducted *ex-ante* of policy in order to allow time for policy adjustments in light of the results of the assessments.

The Women’s Edge Coalition has developed and tested a Trade Impact Review (TIR) framework that can be used to forecast potential benefits and drawbacks of trade agreements on people. The TIR assumes that trade agreements and trade among nations will affect the prices of goods and services, the costs of labour, employment opportunities for women and men in different sectors, and the level of government revenue generated through tariffs. GTIAs can be used to explore conditions under which trade could contribute to poverty alleviation, and illustrate how trade policies are linked to other economic changes that affect people’s lives. In exploring how “a

change in trade policy may affect relative prices – which, in turn, could affect labor demand, bring about a change in real wages, and affect consumption” (Women’s Edge Coalition, 2003: 1), gender trade impact assessments can recommend policy adjustments that support and protect poor and vulnerable groups (Women’s Edge Coalition, 2003; APRODEV, 2002).

The experiences of non-governmental organizations (NGOs) in undertaking GTIAs have generated valuable information for policy consideration. Through a gender-based impact assessment, APRODEV<sup>8</sup> explored the effects of economic partnership agreements (EPAs) on poor women in Zimbabwe. The study presented key recommendations and findings, including that “poverty-focussed sustainable development can only be reached if women are enabled to *access* and *control...resources*” (APRODEV, 2002: 31). A range of policy adjustments and measures would be required to enable poor women and men to benefit from EPAs. For example, the ability of women producers to trade in higher value products competitively will require addressing physical and policy constraints. Competitive production of value-added goods such as beef and sugar needs to be promoted, while at the same time, the European Union (EU), for example, needs to take into account the competitiveness of EU exports of basic agricultural raw materials and value-added food products in the context of its reform of the Common Agricultural Policy (APRODEV, 2002).

In a case study applying their TIR to the North America Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA) in the context of Mexico’s agricultural sector, Women’s Edge was able to illustrate just how important government policy is to people’s livelihoods, and to formulate a set of recommendations for policy-makers (see box 1 below).

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<sup>8</sup> APRODEV is an association of 17 major development and humanitarian aid organizations in Europe, which work closely with the World Council of Churches.

**Box 1. Recommendations of the Mexico Trade Impact Review**

*Conduct a trade impact review prior to completion of the FTAA.* The Governments of the United States and Mexico should conduct a TIR on how accession to the FTAA will affect poor women and men in their countries. This review should be completed prior to conclusion of the FTAA. Governments should change any trade commitments that negatively affect the poor prior to completing the agreement.

*Provide policy flexibility for governments.* Governments need policy flexibility to guide the economic and social developments of their countries. Governments negotiating the FTAA should ensure that trade agreements allow sufficient policy flexibility so that they can change direction or craft new policies or programmes without fear that they will be subject to dispute settlement measures or have to pay restitution to other governments.

*Protect small farmers.* The United States and Mexico should seek to protect small farmers from the negative effects of free trade in agriculture. In the FTAA negotiations, countries should ensure that its agricultural provisions allow them to: use special safeguard mechanisms when faced with imports of cheap agricultural goods; exempt basic staple foods from agricultural negotiations; and exempt small farmers who farm less than five hectares of land or earn less than \$50,000 in the United States.

*Develop training programmes for displaced workers.* Governments should develop or enhance training programmes for displaced workers. Using the TIR, governments could predict which sectors may be most vulnerable to layoffs and target training programmes to those sectors. The training should help workers cultivate new lucrative crops as well as prepare them for new, highly paid jobs in burgeoning industries. Training should be organized to enable both women and men to benefit from the programmes.

*Revise current migration policies towards low- and high-skilled immigrants.* Although the issue of migration is included in some discussions of services and investment, the United States needs to revisit its immigration policy to ensure that low- and high-skilled workers are treated equally and that their rights are respected.

*Create new markets for niche and fairly traded products.* Governments should assist small farmers in marketing their products and in promoting fairly-trade products. Governments should purchase fairly-traded coffee and other fairly-traded commodities, such as bananas and chocolate, for government offices in order to help increase the market share for these products.

Adapted from Women's Edge Coalition, 2003.

Application of the TIR framework in Mexico provided evidence of the informalization of women's labour, and potential challenges to food security and livelihoods of small women farmers. For example, NAFTA resulted in the creation of 5.3 million jobs in the formal and informal sector and the loss of 1.3 million jobs, mainly of small subsistence farmers, who were among the hardest hit. With NAFTA, government protection of small farmers was dismantled, pushing the poor into deeper poverty. Mexican women own less than 20 per cent of farmland, and tend to farm much smaller plots than men. The majority of women cultivate for their own consumption and sale to local markets. With NAFTA, small women farmers were unable to compete with cheaper imports. Of the new jobs created, 36 per cent were in the informal sector, where workers receive little social protection or benefits. Job creation in the formal sector was mainly in manufacturing; where women have been employed in large numbers in the *maquilas*. The autonomy and income-related benefits for women provided by this work must be weighed against the sustainability, safety and level of income that *maquila* jobs offer. That many manufacturing jobs are moving to Asia, where, on average, women earn \$50–\$80 cents/hour versus their counterparts in Mexico, who earn \$2.50–\$3.50, is also of concern (Women's Edge Coalition, 2003).

### **3. GENDER TRADE IMPACT ASSESSMENTS: UNDP/UNIFEM REPORT ON CHINA'S ACCESSION TO THE WTO**

In another example of a gender trade impact review, the United Nations Development Programme (UNDP) and UNIFEM collaborated with the China International Centre for Economic and Technical Exchange and the National Development Reform Commission to assess the impact of China's accession to the WTO on the employment of women in agricultural and industrial sectors (UNDP, 2003a).

The project was predicated upon the belief that "evaluation of the multilateral trade regime should be based on whether it maximizes possibilities for human development – especially in developing countries" (UNDP, 2003b). It confirmed earlier findings that "pervasive gender discrimination in economic life causes trade policy to have very different

effects on women and men. Trade liberalization has also had mixed results for gender outcomes. It is particularly troublesome from a human development perspective if export growth comes at the expense of exploiting female workers, neglecting care work and increasing gender inequalities in opportunities and benefits.” (Cagatay, 2001). The China report emphasizes that women may benefit from increased employment opportunities, but that gender inequalities related to income, job security and time use might grow unless adequate socio-economic policies are put in place.

The study forecasts an increasing feminization of the *agricultural sector*, due to market forces and urbanization, which are causing a massive migration of male farmers to urban areas. This trend can bring new job opportunities to women farmers by causing them to shift from non-paid housework to income-earning agricultural production. It does not, however, release women from the burdens of household work. It merely reinforces the dual burden of production and household work and limits possibilities for rural women to move to non-agricultural industries. Lack of ownership of land and an inadequate social security system also keep the economic status of women farmers low. In response to changes associated with China's entry into the WTO, demand for land-intensive agricultural products will likely decline, resulting in a fall in employment. Consequently, some farmers, especially women, are expected to move to more competitive labour-intensive activities such as chicken farming. Stockbreeding should thrive in the new environment, but benefits may fall short of expectations because of the need to meet stringent technical and phytosanitary requirements.

The impact of WTO membership on Chinese women's employment opportunities in the *industrial sector* varies greatly by subsector. In labour-intensive industries with a large female labour force (e.g. textiles and garment) and in some capital-intensive and knowledge-intensive industries with a moderate number of female workers (e.g. household appliances), female employment is likely to increase. In other capital-intensive industries with few female workers (e.g. automobile), WTO entry is not expected to have any significant impact on women's employment

opportunities. On the whole, it should increase female employment in the industrial sector, but gaps in terms of job status and wages may well widen, both between the genders and between urban residents and migrants from rural areas, depending on education levels, skills and age. The feminization of agriculture and marginalization of women in irregular and informal employment may exclude many women from the existing social security system.

The research project identified a number of challenges, including:

- Gender-based gaps in education and skills training, particularly in rural areas.
- Women's limited access to credit and financial services such as micro-credit.
- Inequality in land rights and distribution: The current system limits women's land ownership, and yet women's access to and control over agricultural land becomes more critical as feminization of agriculture progresses.
- Gaps in labour legislation and enforcement vis-à-vis international labour standards: Current legislation does not provide protection for workers in the informal sector in terms of wage standards, labour security and rights, or settlement of labour disputes. This will have a significant negative impact on many women workers in view of the anticipated increase in employment in the informal sector.
- Concentration of the social security system on urban men and women, who are formally employed in State-owned economic sectors: This would leave out those who are unemployed or laid-off or re-employed in private and foreign enterprises or in the informal sector.
- The limited role of women in government institutions and policy-making process: Lack of attention to the gender-based differential impact of China's WTO accession could intensify existing gender inequalities and result in a deterioration of women's well-being.

Given the challenges identified, the report recommended:

- (a) Expansion and improvement in the provision of financial services, including the removal of gender-based barriers in loan applications;

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- (b) Establishment of start-up funds to help women entrepreneurs set up small business;
- (c) Establishment of minimum social security standards and system for all workers, irrespective of occupation or gender, to enable everyone to enjoy basic social security;
- (d) Changes in legislation and its enforcement to fully address women's labour rights through:
- Labour law reform to better protect vulnerable workers who are on irregular employment, as opposed to formal employment,
  - Alignment with international labour standards set by the International Labour Organization,
  - Establishment of a committee in the People's Congress to strengthen monitoring of labour law enforcement,
  - Establishment of a uniform and non-discriminatory labour market, for example, through the provision of legal assistance funds to help women file suits to protect their rights,
  - Engendering of the existing "Small and Medium Enterprise Promotion Law" to create an enabling environment for women entrepreneurs;
- (e) Acceleration of the land-distribution reform to eliminate gender discrimination in land ownership;
- (f) Promotion of the establishment of trade unions in the female-dominated industries to encourage more women workers to engage in social dialogue and provide support to build management and production capacities;
- (g) Increased transparency in the election system of grassroots, business and community cadres to promote women's active participation in decision-making. Integration of women's voices in the policy-making process can mitigate or even reverse any adverse effects of the WTO accession on the welfare of women.

By applying a gender analysis, the China case study helped transform the way national researchers and economic planners analyse the impact of globalization and trade liberalization on China. Traditionally, impact is analysed at a macroeconomic level by asking questions about which industry will develop and in what directions. Not enough attention is given to the potential for inequality to widen between different groups, including men and women. The report findings set baseline data on women's socioeconomic status and conditions for future tracking. The overall knowledge and awareness generated on the value of gender statistics and gender analysis of trade liberalization, employment policies and private sector investment is useful for future analytical work aimed at improving the economic governance frameworks and increasing the government's negotiating capacity vis-à-vis private sector partners in the areas of employment security and protection of women.

#### **4. CONCLUDING REMARKS**

International trade policy has assumed prominence in the set of macroeconomic policies that developing countries have implemented, as the search for increased incomes as well as technology and capital continues to form the backbone of development. Decision-makers have relied on macroeconomic policies, including trade policies, to create an enabling environment for growth. Not surprisingly, therefore, international conferences covering diverse sustainable development agendas have devoted attention to the role of international trade and globalization in development.<sup>9</sup>

There is an increasing formalization of “policy coherence” between major international financial and trade institutions, such as the International Monetary Fund (IMF), the World Bank and the WTO. This calls for a

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<sup>9</sup> A few such conferences are the United Nations Millennium Summit in 2000, the United Nations Conference on Financing for Development in 2001, the World Summit for Sustainable Development in 2002, and the World Social Forum in 2004.

reassessment of the current thinking on international trade policy-making in these institutions. It is indeed insufficient for international trade agreements to use a package of technical assistance, delayed time-frames for implementation and relatively lower levels of commitments for developing countries as the primary means for addressing the asymmetries and biases within and among countries in international trade. These cannot respond to the need for an enabling environment that would broaden people's choices and opportunities for human development.

In the current global environment, it is increasingly evident that women are being left behind. While some women may have made strides in government and corporate leadership, much is left wanting in gender equality for the billions more who face restricted opportunities. Cognisant that women's involvement is certainly clear in the area of social reproduction, their concentrated involvement in this area without a corresponding increase in their involvement in the public arena makes them an instrument of development rather than an agent of it.

The challenge of evolving towards a gender-sensitive multilateral trading system that gives priority to human development and gender equality is complex. Gender trade impact assessments can be empowering mechanisms that help policy-makers respond to poor women's needs and facilitate human development and human rights. The institutionalization of GTIA in trade policy-making processes is urgently required in the fight against global poverty and inequality.

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## Chapter 13

# SUPPLY-CHAIN CODES OF CONDUCT AND FAIR TRADE INITIATIVES:

## WINNING NEW MARKETS WHILE PROMOTING GENDER EQUALITY<sup>1</sup>

### INTRODUCTION

The purpose of the chapter is to review the experience of developing country producers of goods and services in taking advantage of various initiatives, such as fair trade, codes of conduct and social labelling schemes. The focus is upon looking at such initiatives as ways of raising awareness of process and social justice issues in the global economy, while at the same time enhancing the access of developing-country producers to developed-country markets.<sup>2</sup>

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<sup>1</sup> This chapter has been prepared by Marina PRIETO, Chris SEELEY and David F. MURPHY, New Academy of Business, Bath, United Kingdom, as consultants for UNCTAD. For the preparation of this chapter the authors have drawn on research conducted by UNCTAD, ILO and the World Bank; NGOs (such as Working Women Worldwide and Oxfam); personal communications with academic researchers (such as Stephanie Barrientos, Anne Talloriente and Catherine Dolan), as well as practitioners (such as Fiona Gooch, Traidcraft and Jane Turner, Central American Women's Network), and on Prieto's literature review and fieldwork on gender and codes of conduct in the banana and textile industry in Central America, as part of her doctoral dissertation (Prieto, undated).

<sup>2</sup> A literature review of each of the issues relating to gender, fair trade, codes of conduct, social labelling, certification and ethical trade is beyond the scope of this study. Moreover, there is much more comprehensive empirical research available relating to gender and codes of conduct (e.g. Prieto and Bendell, 2002; Barrientos et al., 2001) than to gender and fair trade and gender and social labelling. In the light of this, we have been able to include more analytical information on codes than on the other schemes. Our research has revealed that in general there is little published evidence specifically looking at the relationship between gender, trade and labelling. Gathering such new primary data, however was also beyond the scope of this study.

The chapter is set against the background of globalization, where the employment of women workers in manufacturing and agriculture, and their associated migratory patterns, are difficult issues that require special attention. Indeed according to UNCTAD, “the gender impact of global economic integration is complex, and so far, its effects have been mixed. To date, in some places it has reduced income imbalances and gender disparities. It may, however, have done very little to minimize gender inequalities over the long term... no developing country has increased its exports of manufactures without greater recourse to women workers... export-led industrialization has been strongly female intensive. In some situations, this has represented a huge leap forward in the participation of women in monetized sectors of the economy. On the other hand, in times of economic crisis, women are just as quickly ejected from the waged labour force, absorbing a disproportionate share of economic shocks.” (UNCTAD 1999a: 2)

Taking gender into account in codes of conduct, fair and ethical trade initiatives and social labelling schemes is not just about “‘women’s issues’ such as reproductive rights, domestic violence and pay disparities. This is partly because much feminist thinking is at pains to uncouple the notions of ‘gender’ and ‘women’”, but it also includes “gendering processes, which are enacted by both men and women in the course of everyday life” (Coleman, 2002:19).

Coleman (2002) identifies four types of intervention in relation to gender, power and corporate citizenship to support more sustainable gender equity: equip the women; create equal opportunities; value difference; and make a new reality. These four types of intervention inform the conceptual framework of this chapter.

First, standards and initiatives that seek to *equip the women* are fundamental, based on the assumption that women’s socialization and their cultural milieu can leave them at a disadvantage in the world of work and trade. Such standards aim to ensure that women are offered training, education and support to help them gain a stronger competitive foothold in male-dominated business environments. In rich Western countries, such

interventions (assertiveness training, for example) became popular in the 1980s as women learned to play the game of business and how to minimize the differences between men and women in the workplace. In developing countries, standards that are set to *equip the women* might demand and support minimum requirements for literacy, education and skills development in areas such as health and safety, hygiene and business management, and for more advanced technical skills in some other areas (such as the operating of machinery).

Second, standards and interventions that seek to *create equal opportunities* build on equipping the women by addressing “structural or environmental factors that militate against women ‘competing on a level playing field’” in business (Coleman, 2002:20). For example, gender inequalities occur: when the hiring and promotion of employees is biased; when women need to fulfil additional responsibilities of caring for dependents outside the workplace; when either gender is excluded from certain work, entitlements (such as land ownership), use of transport and participation in decision-making processes through segregation, or when there is unequal pay for equal work. Typical interventions in support of creating equal opportunities include developing new standards, policies and guidelines for bringing about change in behaviours such as sexual harassment and discrimination, and working practices such as flexible working hours and parental leave.

Third, standards and interventions that seek to *value difference* are useful in changing embedded structures that lead to gender inequalities and oppression. Such standards and interventions might include: the provision of training on diversity issues; positive discrimination in favour of women in order to redress imbalances in the gender make-up of decision-making bodies; experiments with different ways of working, such as women-only business structures; as well as childcare provision, attention to maternity rights and support for family planning.

Fourth, standards and interventions that seek to *make a new reality* endeavour to open up different conversations between men and women about what is possible, what can be said, what can be taken seriously, and by whom. Such interventions are typically process-based, ensuring that

codes of conduct, for example, are designed in ways that include workers' input, priorities and decision-making. Making a new reality thus means questioning cultural assumptions and inequalities, building capacity for greater participation and diversity and reassessing the subtle interplay of domination and subordination that often characterizes relations between the sexes. These kinds of interventions involve disrupting existing power regimes to bring about change at work in such a way that *both* women *and* men can flourish – without one being at the expense of the other.

The chapter is organized as follows: after addressing some preliminary definitional issues in section 1, the next section provides an overview of the role that existing voluntary codes of conduct could play in improving market opportunities for goods and services produced by disadvantaged producers in developing countries (e.g. through supplier and subcontractor selection), with particular attention to the gender dimension of these codes. The section reviews existing codes, with the aim of isolating a common minimum core of gender-related standards which would define the “gender-sensitivity” of any production methods.<sup>3</sup> A similar analysis is then conducted with regard to fair trade initiatives and social labelling schemes, and to the standards they employ. Section 3 highlights commonalities, differences and gaps in the use of gender-related standards in existing codes and fair trade initiatives, and offers thoughts on an essential core of standards to advance women's gender equality. Section 4 then attempts a comparative review of the effect of existing private voluntary codes of conduct as well as fair trade initiatives in facilitating trade in goods and services. And finally, section 5 offers some concluding remarks.

## **1. SOME DEFINITIONAL ISSUES**

Making conceptual distinctions between codes of conduct, fair trade, social labelling and certification is problematic. Urminsky recognises the

"difficulty of drawing precise boundaries" and "that some overlap is unavoidable and categorization is bound to be imperfect" (2001: 6). In this section we describe some of the similarities and differences between these various types of initiative.

The term "code of conduct" is taken to mean a written policy or statement of principles intended to serve as the basis for a commitment to particular ways of working in business. These codes move beyond current legislation into sets of voluntary behaviours which, according to Urminsky (2001:13), are by their very nature, "often made in response to market incentives with no legal or regulatory compulsion. ...[Some codes] are used as 'sourcing guidelines' to specify requirements for the workplace conduct of business partners with which the enterprise is engaged. In such cases, the code of, for example, an international buyer or retailer is applied to workers in supply (or 'value') chains who are not necessarily employed directly by the enterprise adopting the code." Thus issues of accountability<sup>4</sup> and evaluation for codes of conduct can easily become convoluted and even obscuring. Additionally, Urminsky refers to research by the International Organization of Employers, which found that 80 per cent of such codes of conduct fall into the category of general business ethics<sup>5</sup> with no implementation methods and, as such, are little more than paper exercises.

On a more positive note, codes of conduct do represent the possibility of a change in thinking about the role and responsibility of business as part of society, and as part of a broader, more-than-human, ecology. Such codes

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<sup>3</sup> Child labour issues appear in 47 per cent of codes surveyed by Urminsky (2001). Whilst it is clear that child labour is a gender issue in terms of the ways in which child labour affects young girls and young boys differently – this chapter does not address issues of gender in child labour and how this is dealt with in codes of conduct, ethical trade, fair trade, social labelling and certification.

<sup>4</sup> Accountability is understood here as transparency on the part of businesses, that makes their business practices and decision-making processes open to wider scrutiny.

<sup>5</sup> By business ethics we refer to the attitudes, practices and processes which broaden the evaluation of business success, from a consideration only of financial profitability to include also the rights and values of stakeholders, as well as issues such as security, safety and quality of life as key business performance measures.

suggest that there is more to business and economics than maximizing shareholder value, and that social and environmental issues need to be both considered *and* valued alongside more conventional financial and economic performance.

It is also important to stress that the term codes of conduct refers to both:

- Multi-stakeholder codes, which are initiatives that provide a commonly agreed and recognised reference point or standard (e.g. SA8000, Fair Labor Association, Workers Rights Consortium and Ethical Trading Initiative) for stakeholders such as producers, suppliers, buyers, workers, non-governmental organizations (NGOs), governments and subcontractors to work towards; and
- Private voluntary codes of conduct, which originate from an individual business or organization for the self-regulation of its own production, management and decision-making processes.<sup>6</sup>

One of the best known multi-stakeholder codes has been developed by the Ethical Trading Initiative (ETI), in the United Kingdom, a membership organization of trade unions, NGOs and companies concerned with ethical sourcing. Ethical sourcing is defined by the ETI as a way of working which “establishes a company's responsibility for labour and human rights practices in its supply chain. In doing so, it aims to ensure the rights and improve the conditions of workers through good supply chain management. Specifically, it refers to a company taking responsibility to work with its suppliers to implement internationally accepted labour standards in the workplace.”<sup>7</sup>

Some of the reasons why ethical sourcing is perceived as important include:

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<sup>6</sup> Examples of companies using private voluntary codes of conduct are those of Chiquita ([www.chiquita.com](http://www.chiquita.com)) and Wal-Mart ([www.walmart.com](http://www.walmart.com)). Examples of multi-stakeholder codes are SA8000 ([www.sai.org](http://www.sai.org)), FLA ([www.fla.org](http://www.fla.org)), ETI ([www.ethicaltrade.org](http://www.ethicaltrade.org)) and WRC ([www.workersrights.org](http://www.workersrights.org)). Corporate codes of conduct may include or make reference to international standards (ILO) and/or national standards (i.e. national legislation).

<sup>7</sup> See [www.ethicaltrade.org/pub/about/ethsrc/faq/index.shtml](http://www.ethicaltrade.org/pub/about/ethsrc/faq/index.shtml), accessed January 2004.

- Occurrence of widespread abuses of labour rights and abysmal physical working conditions in some workplaces;
- Inability to rely upon all suppliers to implement international labour standards, even when they are enshrined in national law;
- Invisibility of some workers when the employment relationship is disguised by such terms as subcontractor or supplier; and
- Lack of capacity or desire on the part of many governments of low-income countries to inspect workplaces, implying little effective policing.

As mentioned above, there is often some overlap in the practices relating to codes of conduct, fair trade, social labelling and certification. For example, labelling programmes in the flower sector are normally based on fair-trade concepts (see subsection 2.2.2).

Fair trade initiatives essentially seek to redress power imbalances between large businesses, their employees, suppliers and subcontractors in such a way that the returns to shareholders are not made at the expense of the quality of life and standards of living of workers. Although such business practices are not enforced through national legislation, fair trade has become increasingly prevalent as confirmed by the European Parliament's 1998 "Resolution on Fair Trade", which stated that "Fair Trade is not a marginal niche market nor a passing fad...but one of the few successful approaches to development aid". According to Fair Trade Resource,<sup>8</sup> "Fair Trade's rules guarantee: a living wage in the local context, offering employees opportunities for advancement, providing equal opportunities for all people, particularly the most disadvantaged, engaging in environmentally sustainable practices, being open to public accountability, building long-term trade relationships, providing healthy and safe working conditions within the local context, [and] providing financial and technical assistance to producers whenever possible".

There are two basic approaches to fair trade: (i) the brand approach, and (ii) the labelling approach. In the brand approach, fair trade is expressed

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<sup>8</sup> See [www.fairtraderesource.org](http://www.fairtraderesource.org), accessed January 2004.

through the practices of the organization and its partners rather than through externally designed standards. The organization sets objectives for its trading relationships and then relies on its reputation and brand name to convey to the consumer that the product has been traded according to fair trade principles. In the labelling model, the organization seeking the “Fair Trade” label must meet certain basic minimum criteria. Fair trade labelling organizations are not involved in trade exchange themselves; instead, they issue fair trade marks or labels to manufacturers or importers to verify that the production and supply of a particular product has met specified fair trade standards. At present, fair trade labels are issued for a limited range of commodities for which international fair trade standards have been developed (coffee, tea, bananas, sugar, orange juice and chocolate/cocoa). The label can be used by buyers registered with one of the Fairtrade Labelling Organisation International’s national initiatives, and shows that the product has been produced and traded according to pre-defined social, contractual and sometimes environmental standards.

The ETI contrasts its work with that of fair trade, although ETI’s membership does include organizations from the fair trade movement. As such, the ETI suggests that ethical sourcing seeks to enable decent minimum labour standards in the production of the whole range of a company’s products, whereas fair-trade is more concerned with the trading relationship itself, especially those relationships involving small producers in the South. The ETI states that “fair trade ensures that producers are paid a decent price that at least covers the true costs of production, despite often serious fluctuations in world commodity prices. Many consumers will always be prepared to buy special fair-trade products, while expecting that mainstream products are safely and decently produced.”

Ethical sourcing is principally concerned with how products are derived from the source of manufacture. It addresses a combination of structural, operational and strategic issues across a number of sometimes competing businesses in a supply chain. As such, ethical sourcing involves initiatives and demands from mainstream buyers in the global supply chain. Fair trade also makes an end-product available to the consumer that has been manufactured with concern for social justice and production processes.

However, rather than seeking to address an entire range of sometimes competing products that exist within a supply chain, it is concerned with developing a market niche for a fairly traded product-line within a range, and, as such, is not necessarily driven by the demands of mainstream buyers in the global supply chain. Thus fair trade is more likely to be driven by the values and beliefs of the producers themselves in seeking such niche markets for “concerned” consumers.

Social labelling, on the other hand, can be defined as a “means of communicating information, through a physical label, about the social conditions surrounding the production of a product or rendering of a service. Social labels may be affixed to products or their packaging or displayed on shelving or shop windows at the retail site. Some labels are assigned to enterprises, usually producers or manufacturers. They are aimed at consumers and/or potential business partners. Social labelling programmes are considered to be voluntary responses to market incentives (including the demands of business partners) rather than to public law or regulation.” (Urminsky 2001: 38). Social labelling schemes may have a stronger sector-specific focus (for example, RUGMARK<sup>9</sup> for child labour and carpet weaving) than the more general fair trade standards that can be applied in many different contexts (ranging from foodstuffs to clothing).

Labelling works in a spirit of market transparency, whereby consumers are seen to have a right to know the conditions under which goods are produced, and companies that purchase these goods are considered to be responsible for making this information available. Labelling is a vehicle for broadening consumer choice and giving producers a market incentive to improve their social and environmental performance. Certification refers to the process by which goods can acquire the right to be labelled or endorsed as being fairly traded.

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<sup>9</sup> See [www.rugmark.org.uk/english/index.htm](http://www.rugmark.org.uk/english/index.htm), accessed January 2004.

## 2. TO WHAT EXTENT DO EXISTING CODES AND INITIATIVES USE GENDER-RELATED STANDARDS?

### 2.1 Gender, private voluntary and multi-stakeholder codes of conduct

To date, there is very little evidence of any specific attention to gender issues in codes of conduct. Gender is normally included under “non discrimination” and “equal pay for equal work”. An analysis of over 250 codes of conduct (Urminsky, 2001) reveals that gender issues tend to be considered under the more general heading of “freedom from discrimination”, derived from ILO international labour standards and appearing in 70 per cent of the codes analysed. Urminsky explains that “some of the codes which mentioned freedom from discrimination went further, to promote equal opportunity for advancement. Specific mention of equal pay for work of equal value appeared only occasionally. However, in the context of referring to discrimination more generally, most codes mentioning Convention No. 111 (“freedom from discrimination”) also made reference to Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value, with the later Convention appearing in 16 codes.

#### **Examples of general “freedom from discrimination” in some companies’ codes of conduct**

*“Everyone is entitled to be treated with respect as a person, regardless of role or individual differences.” — WMC Mining Company, Code of conduct.*

*“Employees must not be discriminated against because of personal characteristics or beliefs. — Jones Apparel Group, Business Partner Standards.*

*“Perceptions of equality naturally vary between different cultures and it is not the business of a company to smooth out the differences. However, within SKF, in all the locations where we are active, we strive to maintain equality – between the sexes, between different generations, different nationalities, races and creeds. We view equality not only as an ethical principle but also as an efficient working rule. It promotes a good team spirit.” — SKF, Our Views on Ethics and Morals.*

*Source: Urminsky, 2001.*

Social science scholars have made only a limited contribution to the debate about gender, codes of conduct and ethical trade, and there is a need for more primary research (Seyfang, 1999). There is also lack of a significant body of academic literature in general (even more so when it comes to empirically grounded work), with the exception of the work by Barrientos and colleagues (2001) in the horticulture sector in Africa and the empirical case study on women workers, codes of conduct and gender in export processing zones and on banana plantations in Nicaragua (Prieto and Bendell, 2002; Prieto, undated). This later research (which consisted of focus groups with women workers, interviews with key informants and documentary review) revealed a difference between the espoused values of top-down corporate codes of conduct and the reality of women's everyday working lives.

Codes of conduct are associated with the issue of socially responsible business. As a mechanism by which responsible business can be operationalized, corporate codes of conduct have a significant place in this new agenda. One area identified in previous research as requiring more attention is how effectively corporate codes respond to the needs of marginalized stakeholders (Blowfield, 1999; Murphy and Bendell, 1999). Women workers constitute one group of stakeholders in the South about whom there are specific concerns relating to workplace practices (Barrientos, Dolan and Tallontire, 2001; Hale and Shaw, 2001; Pearson and Seyfang, 2002). Often constituting the majority of the workforce in factories and plantations producing goods for export to the North, they have been caught between the logic of industrial location in a global economy, which seeks low-cost production sites, and those societal norms that paint women as secondary citizens and inferior workers (Elson and Pearson, 1981, 1997; Lim, 1990; Enloe, 2000)

Given the often poor implementation of national laws on these issues, in recent years there have been significant developments with women workers calling on companies to respond to their concerns about environment, health and safety, sexual harassment and long working hours, among other issues (Bickham-Mendez, 1999; Bickham-Mendez and Kopke, 2001; Prieto et al, 2002). Consumers have also been mobilized by campaigns to demand

proof of ethical sourcing in line with a more generalized global trend that emphasizes corporate social responsibility. Campaigns in Europe and the United States have focused among others on the rights and welfare of factory workers in Central America, including Nicaragua, who supply United States brand names to retailers. In Europe, campaigners have raised awareness of conditions on banana plantations in Central America that supply the United States market. The International Women's Banana Conference in Hanover in June 2000, for example, brought together participants from West Africa, South-East Asia, Latin America and the Caribbean to develop a joint declaration calling on companies and other agencies to address their common concerns (Bendell, 2001). The year before, in Nicaragua, women's organizations gathered to discuss codes of conduct in the clothing sector. They identified the need for more cooperation and research on how to use codes for change (CAWN and WWW, 1999).

From fieldwork in Central America (mainly Nicaragua), it has been observed that codes of conduct may be considered in two ways:

- *Codes from above*, where businesses state their intentions and espoused values; and
- *Codes from below*, where workers are key participants in processes that generate guidance for more equitable and just working practices.

### 2.1.1 *Codes from above*

Corporate codes of conduct are understood here as documents that establish a company's values and intended performance on matters relating to how it operates. These can include environmental issues, as well as social issues such as community, government and labour relations. The codes of particular importance to this study are those that cover workplace practices such as worker health, safety, pay, conditions and rights. There seems to be a proliferation of codes; the World Bank, Smith and Feldman (2003), estimate that there are probably more than 1,000 codes in existence today. Jenkins (2001) divides them into five categories: company codes (e.g. GAP, Chiquita), associations' codes (e.g. British toy code), multi-

stakeholder codes (e.g. ETI, SA8000), model codes (e.g. International Federation of Free Trade Unions and Amnesty International) and inter-governmental codes (e.g. OECD). Some view codes as a new mechanism for improving working conditions, whereas others fear that they may distract governments and activists from the importance of enforcing national regulations (Jenkins, 2001).

In the *maquila* sector in Nicaragua there are factories producing for retail companies such as Wal-Mart, Sears, Kohls, JCPenney and Kmart, each company having its own code of conduct. A particular supplier factory may produce items for a number of these retailers. Factory employers interviewed for this research said that their factories had adopted two or three sets of codes, all covering the same issues, and that they would therefore prefer only one code. They also observed that such codes are sometimes more demanding than their own Ministry of Labour.<sup>10</sup> These codes are very brief, in the form of broad statements, and often use rather vague language. Copies of some codes, were obtained from factories during the fieldwork on women factory workers in Managua, Nicaragua, and these codes were analysed.<sup>11</sup> One example is Wal-Mart's code, which mentions salaries, working hours, forced labour, child labour relating to children under 14 or 15 years of age, discrimination, health and safety. Such codes are typically minimalist in their contents, and do not make any clear commitment to improving workers' lives. Moreover, there is often no information on what kinds of actions would be taken in case of non-compliance. For example, Kohls' code mentions that it "would only work with suppliers that treat the workers well" and Sears requires that the codes "have to be satisfied as a condition to negotiate with Sears".

Gender issues are not explicitly mentioned in these codes; they feature only as part of a general clause on discrimination. For example in Kohls' code of conduct, gender issues appear as follows: "Kohls recognise that we respect

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<sup>10</sup> Interview with Doris Escalona, Head of Human Resources of the Nien Hsing Consortium (of Taiwan Province of China), Free Trade Zone Las Mercedes, 19 September 2001, Managua, Nicaragua.

<sup>11</sup> This analysis of codes is based on documents directly obtained from the factories in Nicaragua in 2001.

cultural differences and believe that workers should be employed because of their abilities rather than gender, race or culture or religion". Here, as in other codes, the gender dimension is only covered within a more general clause on discrimination. Specific issues such as sexual harassment, age discrimination, maternity discrimination and opportunities for promotion are frequently left unaddressed, as are issues of special relevance to women workers such as childcare, and free transport home.

In the Nicaraguan banana sector, Chiquita Brands International (Chiquita) purchases all of the country's exports of bananas. Thus its code is the only one that can be assessed in the banana sector. This United States-based transnational corporation (TNC) published its code of conduct in 2000, which states that "[we] aspire to conduct ourselves in an ethical, legal and socially responsible manner befitting a world-class company" (Chiquita, 2000:1). Chiquita's code expresses four core values – integrity, respect, opportunity and responsibility – and describes what these mean for a range of issues, from compliance with labour laws to insider trading and political donations.

The SA8000 code – a multi-stakeholder code of conduct – covers women's issues insofar as it prohibits all forms of discrimination. Chiquita incorporates the SA8000 standard into its work, but as in the *maquila* sector mentioned earlier, there is little mention of other gender issues. The company's code states: "the company [Chiquita] shall not engage in or support discrimination, in hiring, compensation, access to training, promotion, termination or retirement based on...gender..." (Chiquita Brands Inc., 2000: 9). A diligent interpretation of this criterion implies that the company would not allow tests before hiring that only affect women, such as pregnancy testing, and would ensure equality of wages, benefits and promotion opportunities for male and female employees. Although Chiquita does "recognize the importance of family in the lives" of its employees, its code does not make specific commitments to supporting female employees, along with the particular challenges they face due to family obligations. For example, there is no specific mention of issues regarding maternity rights and childcare. Commonly used codes, such as the ETI Base Code, only include generic anti-discrimination clauses.

Barrientos and Blowfield (2000) argue that, in common with the labour standards they are based on, codes reflect the norms of a homogenized workforce.

One of the main criticisms aimed at codes of conduct is the lack of consultation with groups in the South, and with the workers themselves, in the generation of “codes from above”. Yet the workers should be the starting point for drawing up these codes (Prieto and Bendell, 2002; Hale and Shaw, 2001; CAWN & WWW, 1999). Hale and Shaw (2001: 522) argue that a “major criticism of the codes initiatives is that, although they are fundamentally about worker’s rights, workers themselves have not been part of the process [of constructing the codes]. Codes are not negotiated between employers and workers, but introduced in a top-down fashion by companies themselves.” This shows that some stakeholders are not heard in Western-dominated processes. Indeed, women and women’s organizations are hardly ever approached, despite representing between 65 per cent and 90 per cent of the workers in the export processing textile sector in various countries (Oxfam, 2004:17).<sup>12</sup> Moreover, workers and their representatives have reported that some actions taken in the North to defend their rights could lead to dismissal or result in factory closures and companies leaving the country. Job losses are a key concern among workers, and they strongly disapprove of actions, such as boycotts, that could lead to factory closures.

A report for the World Bank Group by Smith and Feldman (2003) makes an analytical comparison of company codes of conduct and international standards, stressing that it is concerned with “codes from above”, top-down approaches and aspirations rather than practice. Once again, their report reveals that codes of conduct as a whole pay little attention to specific gender issues, providing only general safeguards such as “no unlawful discrimination”. However, some gender-related issues are mentioned such as harassment, maternity leave and overburdening women with childcare responsibilities. Pregnancy is mentioned as a particular issue; for example, the code of the company, New Balance prohibits any pre-employment or during-employment screening for pregnancy, whilst Nike’s code prohibits

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<sup>12</sup> The figures are 65 per cent in Honduras, 70 per cent in Morocco, 85 per cent in Bangladesh and 90 per cent in Cambodia.

discrimination based on maternity status, and Timberland's code prohibits discrimination regarding "capacity to bear children, or pregnancy".

**Box 1. Examples of good practice for gender-sensitivity in "corporate codes from above"**

*"It is however important to understand that H&M requirements may not be limited to the requirements of the national law"*

*"...female workers should be given their stipulated maternity leave in case of pregnancy"*

*"dismissal of pregnant female workers is unacceptable"*

*"[We] reserve the right to let an independent third party (e.g. NGO) of our choice make inspections to ensure compliance"*

*"If corrective measures are not taken, or repeated violations occur, the relationship will be terminated". H& M*

No discrimination on the basis of personal characteristics or beliefs *"unrelated to the ability to perform the job (race, color, sex, religion, political opinion, nationality, social origin, social status, indigenous heritage, disability, age, marital status, capacity to bear children, pregnancy, sexual orientation, genetic features)"* The Timberland Company

*"No sexually coercive, threatening, abusive or exploitative behaviour (e.g. gesture, language, physical contact)" SA8000*

Source: Smith and Feldman, 2003.

In response to the report cited above, a number of practical case studies were conducted (Bank Jørgensen et al., 2003). The methodology of that research took into account some gender issues (for example, by separating respondent groups by gender), and recognized women along with migrant workers as "vulnerable groups". It was observed that such vulnerable groups were not always represented by local unions and that there is still "widespread global discrimination against women". The researchers suggested that "quite obviously, efforts to address the needs of workers should be tailored to the particular context in which they work and live" (Bank Jørgensen et al., 2003: 49), and that "several NGOs underscored the need for training of women workers, as the work force in many developing countries is becoming increasingly feminized. Moreover, the methodology

of capacity-building approaches should also be suitable for women's needs" (Bank Jørgensen et al., 2003: 93).

The prevalence of women in the global supply chain workforce was also noted: "in Honduras, young women constituted the main work force in the companies. In one company, 90 percent of the work force was made up of women, while in another 85 percent were women" and, "in China, most of the workers were women, 90 percent of whom were from rural areas... Despite this, some of the Chinese workers believed that monitoring was superficial and that issues, such as wage levels, overtime, and the protection of pregnant workers were not dealt with. Chinese workers also believed that auditors bypassed workers' opinions when visiting the companies." (Bank Jørgensen et al., 2003: 106–108).

### *2.1.2 Codes from below*

There seem to be few examples of codes being developed using a bottom-up approach. Even in instances where this has occurred, they are not given the wide exposure that they deserve, given the benefits they bring workers.

In Australia, the Textiles, Clothing and Footwear Union, together with its NGO partners, has developed a "Homeworkers Code of Practice" for the garment industry. This code contains provisions to ensure that homeworkers have the good working conditions to which they are entitled. It is interesting to note that the union itself monitors working conditions, and companies are required to disclose detailed information about the use of home-workers in their supply chains (Hale and Shaw, 2001:525).

One example of a code of conduct that was developed using a bottom-up approach is the work done in the Nicaraguan textile sector by the women's organization, Maria Elena Cuadra (MEC). In 1998, MEC decided to develop an ethical code for the sector (see below) in a way that would address the specific needs of the women who make up the majority of the workforce in this industry. MEC undertook far-reaching consultation with women workers in textile factories to ascertain what specific issues they would like the code to address. The resulting ethical code, developed as a

collaborative effort between MEC and the women workers, incorporates many items of importance to women workers such as the right to protection from physical, mental and verbal abuse and respect for women's maternity rights. MEC also actively campaigned to have the code accepted in Nicaragua, and the women themselves directly lobbied parliament. The ethical code was adopted as a Ministerial Decree by the Ministry of Labour in February 1998 and was subsequently signed by employers in the free trade zone in Managua (see box 2 below).

This demonstrates the potential power of developing a code of conduct using a bottom-up approach. The code provided an opportunity for MEC to raise awareness among women workers and it provided them with training. The experience also empowered the women to act on their own behalf to improve their working lives by lobbying the Government to endorse the ethical code (Prieto et al., 2002). MEC has used the code to place issues of specific concern to women workers on the wider public agenda. Moreover, it has been successful in using the code as a basis to campaign for the reform of national labour legislation, putting pressure on the Government to bring such legislation in line with the demands of women workers in the textile sector.

**Box 2. The Nicaraguan Ethical Code – An Example of a “Code From Below”**

Ministerial Resolution adopted in February 1998 by the Nicaraguan Labour Minister.

This code applies to all established free trade zones in the national territory.

Employers must ensure that employment of all workers is under the same conditions, without discrimination on the basis of pregnancy, race, religion, age, disability or political belief.

All employers will guarantee job security to their employees without denying their rights, particularly with regard to pregnant women. Women cannot be fired during pregnancy or during the post-natal period; this is guaranteed by law.

Employers have the obligation to show consideration and respect in the work place, abstaining from physical, mental or verbal abuse. This includes all acts or omissions that could affect the dignity and self-worth of the workers.

Employers must create working conditions that guarantee physical integrity, observe health and safety, and minimize work-related risks in order to ensure the

occupational safety of the workers. This will be done through the following:

- Medical examinations, both regularly scheduled and those specifically prescribed for the particular job;
- Ongoing health education and training, designed to prevent occupational accidents and illnesses, and common illnesses which affect the population;
- Implementation of policies designed to improve general safety conditions related to sanitary facilities, buildings, lighting, noise levels, food quality and other related work place issues;
- Regular reports which could permit both employers and workers to overcome any problems encountered in complying with the measures listed above.

Employers must register their workers in the national social security system in order to guarantee full protection and means of subsistence in case of disability, old age, occupational injuries, illness, maternity, and, in case of death, benefits should accrue to the family, or in accordance with the law.

Employers are obliged to guarantee their workers wages and social benefits in compliance with the laws.

All employers must respect the established work day and overtime pay in accordance with the law.

All employers must allow workers to organize in the various forms laid down by the law, including the right to negotiate collective bargaining agreements.

Employing minors under 14 years of age is prohibited.

This Ministerial Resolution is effective from the date of first publication, regardless of its later publication in the Official Gazette.

*Original source:* MITRAB, 1998. Also reproduced in Prieto et al. (2002:153)

## **2.2. Gender, fair trade, social labelling and certification**

### *2.2.1. Gender and fair trade*

The link between gender and fair trade can be found in the guidelines of most fair trade schemes. For example, FINE,<sup>13</sup> a coalition of four fair trade initiatives – the Fairtrade Labelling Organisation (FLO), the International

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<sup>13</sup> "FINE" is the acronym derived from the acronyms for the four fair trade initiatives: FLO, IFAT, NEWS, EFTA.

Federation of Alternative Trade (IFTA), the Network of European World Shops (NEWS), and the European Fair Trade Association (EFTA) – identifies the following aims of fair trade:

1. To improve the livelihoods and well-being of producers by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.
2. To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.
3. To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
4. To set an example of partnership in trade through dialogue, transparency and respect.
5. To campaign for changes in the rules and practice of conventional international trade.
6. To protect human rights by promoting social justice, sound environmental practices and economic security.

This definition of fair trade explicitly includes (in point 2) the development of opportunities for women. Although there is still little overall evidence that gender plays an explicit role in many fair trade initiatives, it is possible to identify several examples of gender-sensitivity in fair trade. Some case studies are presented in this section.

### **Box 3. The case of ECOTA, Bangladesh**

ECOTA Fair Trade Forum<sup>14</sup> is a national network of NGOs and small and medium-sized enterprises (SMEs) that have been involved with the handicraft industry in Bangladesh since 1990. The forum specifically includes comprehensive provisions supporting women's welfare and equity in its fair trade guidelines. For example:

- Ensure maternity leave for female workers as well as other entitled leaves;

<sup>14</sup> See <http://www.ecotaftf.org/> accessed January 2004.

- Gender equity. The organization should provide opportunities for women and men to develop their skills, and actively promotes applications from women for job vacancies. Companies working directly with producers should ensure that women's work is properly valued and rewarded. The companies should take into account the special health and safety needs of pregnant women. Women should participate in decisions concerning the use of benefits accruing from the production process.
- Women should not work night shifts, or beyond 8 p.m.
- Equalise the ratio of female and male staff in the organization and in the producer groups.
- The company should have a written gender policy.
- Women should be given leadership training and a role in leading the organisation
- There should be no difference in salaries/wages between females and males.
- Separate toilets should be provided for female staff/producers.
- Women should be encouraged to actively participate in meetings.
- Day care/crèche facilities should exist within the production compound.

#### **Box 4. An impact assessment study of Oxfam fair trading**

Oxfam (United Kingdom) carried out a detailed study of 18 producer groups working for it in seven countries in Asia, Africa and Latin America in November 2000. One of the objectives of this study was to investigate whether the benefits are evenly shared between men and women and within different social and ethnic groups, and whether the position of women within the producer groups and society at large has been strengthened (Hopkins, 2000: 57). Several findings relating to gender are worth noting:

- The impact of fair trade on gender is greatly affected by the family background of the woman, her personality, and the culture of the relevant community and society. Many factors come into play: marital status, age and place in the family, percentage of women in the producer community and cultural status in society.
- Participating in the producer groups generally improves the status of women and increases their self-esteem, while expanding their role in the decision-making process within the household. Participation also enables greater freedom and security.
- Men are very dominant in producer groups in the Philippines. In spite of this, participating women have gained a sense of self-worth, as they have been able to send their children to school and buy better food for their families. Similarly, in India, participation has a positive impact on the status of women

when they have safe, secure and respectable jobs. A further positive sign of this impact is the fact that men let women continue to work in fair trade activities after marriage, and in some cases even join their wives in the business.

- In a focus group in Bangladesh, it was noted that the “most important advantage of Fair Trade is that women can combine their traditional role as housewife and mother with productive activities in order to earn themselves an income”. Where such activities are situated close to their home with flexibility in the timing of production, this work is considered to be “a reputable type of work, which is important under the prevailing value system” which enables women to continue with traditional domestic unpaid work “...as a result, their workload often increases. Nonetheless, in their opinion, earning their own income seems to compensate for the hardship”.
- Producer groups experience difficulties in breaking traditional roles; despite benefits, traditional attitudes and gender inequalities persist. For example, in the Indian hierarchical working structure, men are still the salaried staff while women are piece workers. Similarly, in the Philippines women have the lower skilled jobs, and even though there is no overt discrimination regarding wages, men get the higher paying machine work.
- In general, in the Philippines there is little evidence that gender-fair principles have been put into practice. According to the team coordinating the study of four producers’ groups in the Philippines: “gender issues in the home and in the workplace have not yet been actively addressed and with some qualifications remain by-and-large traditional”.
- An extreme case of unequal pay was found in El Salvador where women were being paid 50 per cent less than men.

*Source:* Hopkins, 2000: 24–29

### 2.2.2 *Gender, social labelling and certification*

Social labelling schemes are voluntary initiatives that overlap with codes of conduct and fair trade. Such schemes make information available to consumers about the conditions under which goods are produced. Social labelling (as opposed to, for example, environmental labelling) refers specifically to social justice issues, and is widely accepted as a vehicle for broadening consumer choice and giving producers a market incentive to improve their social and environmental performance.

One such scheme is the Flower Label Programme (FLP) created in 1998 in Germany, which incorporates gender in its basic principles (in the form of “equality of treatment”) and in its working standards (in the form of maternity leave and rights related to pregnancy), as well as specifying anti-discrimination and equal remuneration in its relevant core ILO labour conventions. In addition, the FLP specifies the following gender-related standards:

- Special measures must be taken to avoid reproductive health risks. In particular, pregnant women may only perform work which is appropriate to their physical capacity and which excludes contact with pesticides and chemicals.
- A special, clean restroom must be provided for pregnant women and nursing mothers, unless no other possibility exists near the flower farm.
- Female employees shall be entitled to maternity leave of at least three months on full pay. The employee will not incur any loss of privilege on account of such leave.
- The company shall pay special attention to sufficient and healthy nutrition of the workers and their families. Special subsidies for the supply of food to the workers are encouraged in the programme to fulfil the human right to food. Where food is served in a canteen, the diet should be nutritious and varied. When workers are living on the farm, free vegetable gardens with sufficient irrigation should be offered to the workers’ families.
- The company should assume responsibility for the education of the children of the workers. Support to crèche facilities inside or outside the compound is highly recommended. If the workers and their families are living on the farm, either schooling on the farm or transport to the next school should be provided.
- Transport, if required to and from the farm, should be provided by the company; alternatively, an allowance should be paid.

### **3. ESSENTIAL CORE STANDARDS TO ADVANCE WOMEN'S EQUALITY**

#### **3.1. Commonalities, differences and gaps in the use of gender-related standards**

From the overview above it can be clearly seen that gender-related standards share an emphasis on the ILO international labour standard of “discrimination” covering gender issues, which remain largely implicit in such standards. However, a gap exists between aspirational business principles and the everyday practices and experiences of women workers. While most codes of conduct and fair trade guidelines incorporate gender issues in theory, in practice both lack rigorous application in terms of improving women workers' lives.

A key difference in gender-related standards is the process used to derive those standards. “Codes from above”, formulated by businesses on the basis of their espoused values and aspirations, may be quite different in tone and make-up from “codes from below” that are created in a participatory fashion by workers themselves. Codes of conduct and schemes such as the Ethical Trading Initiative provide guidelines which, in practice, may or may not be adhered to. Fair trade, social labelling and certification initiatives, on the other hand, require participants to “pass a test” in order to become certified – the standards are set elsewhere and have to be attained before fair trade or a similar status can be claimed.

At present, gender appears to have more potential to be tackled successfully through fair trade initiatives than through codes of conduct. There are several areas not explicitly covered by gender-related standards which the women workers themselves would wish to see included, such as provision of childcare facilities, maternity rights, the gender dimensions of health, overtime arrangements (because of childcare) and transportation home from work.

This fits in with the “gender pyramid” (Barrientos, Dolan and Tallontire, 2001: 11), described as follows:

“...codes of conduct are generally oriented towards tackling overt aspects of employment such as working conditions and wage rates... It is important to recognise that broader social norms, including the combined productive and reproductive responsibilities that women assume, have a direct bearing on women’s position within the labour force... The pyramid divides the key issues relating to the conditions of employment into three inter-linked levels as a basis of assessment of codes of conduct... The tip of the pyramid ... covers the formal issues that both men and women confront when in employment [freedom of association, collective bargaining, safety and hygiene, equal pay, work hours]. The next level ... addresses employment related issues, which are usually more important to women than men, given they normally have to combine household and childcare responsibilities with paid work [provision of housing, training, workplace childcare, reproductive rights, maternity and paternity leave, transport and occupational health]. The third level ... relates to the broader socio-economic circumstances that affect women’s ability to access particular types of employment and the conditions of employment they subsequently experience [social norms and practice, education, domestic responsibilities, gender relations].”<sup>15</sup>

### 3.2. Essential core standards to advance gender equality<sup>16</sup>

This section draws on the information presented in section 2 to suggest core standards for moving issues of gender equality from being “hidden” within calls for freedom from discrimination into the “open” and to the forefront. Many of the issues indicated below represent good working practice for both women *and* men.

- *Employment insecurity.* Security of employment is a major concern for many women workers, but especially non-permanent workers. This means shifting seasonal and casual workers towards more permanent contracts.

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<sup>15</sup> The three levels of the pyramid can be broadly equated with the four types of intervention as expressed by Coleman (2002) and described in the introduction to this chapter.

<sup>16</sup> This section draws on comprehensive research carried out with the Kenya cut-flower industry (Dolan, Opondo and Smith, forthcoming) as well as on accounts of women workers in the banana and *maquila* industries in Nicaragua (Prieto and Bendell, 2002; Prieto, undated).

- *Overtime.* Overtime is often compulsory, and frequently exceeds the maximum hours set out in codes and national laws. Overtime payments also vary, and many workers feel that they are not properly compensated. The likelihood of performing overtime can also be linked to the employment status of workers. For women, regular overtime makes it difficult to balance productive and reproductive roles, and has the potential for negative consequences at a societal level. Arranging childcare when overtime is required at short notice is particularly problematic. Personal safety can also be an issue if transport is not provided after dark. This means, where possible, reducing overtime, eliminating compulsory overtime, standardizing pay rates for overtime, giving longer notice periods when overtime is required, offering equal access to overtime for both staff with permanent contracts and those with non-permanent contracts, and ensuring that workers have access to childcare during overtime shifts and safe transportation home following overtime shifts.
- *Sexual harassment.* The persistence of sexual harassment (particularly from male supervisors), despite the intentions of managers who wish to eliminate it, is related to the hierarchical employment structure of companies. This, coupled with the lack of senior female staff, makes women reluctant to report incidences of harassment. This could be addressed by employing more women in both supervisory and management roles, creating opportunities/spaces where women can safely report incidences of sexual harassment, restructuring businesses to follow flatter structures, and adopting zero tolerance policies towards the perpetrators of sexual harassment. Another key issue here is the training of male workers and supervisors to raise awareness of gender issues, and challenge, punish and develop policies to combat those societal behaviours that contribute to ongoing sexual harassment.
- *Representation.* Women's involvement in trade union representation is still disproportionately low, and workers in non-permanent job categories can be excluded. In addition, trade unions are often structured in a patriarchal manner, making them less accessible to

women's ways of working. This means reassessing and redesigning trades unions in terms of working practices, participatory styles of meeting and practical ease, such as times and places of meeting, so that they are made more convenient and accessible for women workers to join. It is also important for trade unions, women's organizations and labour NGOs to collaborate more closely on the basis of mutual respect.

- *Complaints procedures.* Many companies have an informal approach to complaints, ranging from an open-door policy to suggestion boxes. This fails to recognise that many workers are in vulnerable positions and are fearful of communicating with management. This is especially true for women workers, who may be reluctant to discuss problems with male supervisors. Organizations such as trade unions and labour NGOs can play a role in, for example, redesigning complaints procedures so that all staff can voice their opinions with confidence and be listened to with respect resulting in appropriate action being taken. Appointing more women to supervisory and management positions may also serve to make complaints procedures more amenable to women workers.
- *Communication.* Poor communication between workers, supervisors and management is the cause of many workers' welfare problems. Management delegates authority and power to supervisors (predominantly men), who often abuse this authority in their relations with workers. Some workers fear that they risk being sacked if they express any grievances to management without the supervisor's consent. This means providing different types of training and performance measurements for those in supervisory and management roles so that their expected performance includes a greater respect for the workers. Clearly, this implies the inclusion of disciplinary procedures if disrespectful communication is used.
- *Wages.* While low wages affect both men and women, women with sole responsibility for children are particularly affected, as they cannot afford to pay someone to look after their children while they are at work. This means reassessing wage structures and seeking equal pay for equal work, while also bearing in mind that the

additional financial responsibilities for childcare and child-rearing are often shouldered by women.

- *Opportunities for promotion.* There are generally few opportunities for upward career progression, which tends to diminish worker motivation. Among women, this partly relates to the gendered allocation of jobs, rooted in socio-cultural perceptions and norms, which provides few prospects for women to move into management positions. Promotion can also be linked to corruption, sexual favours/demands, tribalism and nepotism. This means ensuring that women workers are offered equal opportunities and support in gaining the necessary education and training to help them move up in an organization. Alternative forms of business ownership, such as cooperatives, may also provide women with the opportunity for more equitable working conditions.
- *Health and safety.* Poor health and safety standards remain a problem for both men and women at work, ranging from dangerous electrical wiring and messy working environments to the widespread unprotected use of chemicals, and a lack of first aid supplies, protective safety equipment and guarding on machinery. Women workers may also face additional specific problems when pregnant or breastfeeding. This means improving awareness and education of health and safety at all levels of business – from business owners and managers to employees’ concerning their responsibilities for their own well-being.
- *Pregnancy and maternity leave.* Inadequate or no provision of maternity leave creates anxiety about income security and can lead women to seek abortions and/or hide their pregnancies, both of which can cause adverse long-term health effects. Infants who cannot be well cared for also suffer. This means ensuring that both female and male staff have access to appropriate information about contraception, that female staff are not questioned about or tested for pregnancy, either before or during employment, that adequate provision is made for pregnant workers to remain healthy and safe at work, and for female workers not to be dismissed from their jobs if they become pregnant. This also means that businesses planning to employ a large number of women workers needs to take into

account eventual costs associated with pregnancy and maternity leave, rather than assume that women workers can be hired and fired at will.

- *Transport.* Where workers have to use public transport, they can experience problems of unreliability, overcrowding and long delays. For women, in particular, late night public transport – if at all available – might be unsafe, increasing the chances of physical abuse and attack. This implies the need to arrange overtime work according to availability of public transport, or ensuring that alternative safe transportation is available to staff at affordable or subsidized rates.
- *Lack of awareness of rights and code.* Many workers are unaware of their employment rights and of national legislation that is relevant to them. Poor communication with workers about codes and their importance can be a reflection of wider communication problems between management and workers in the industry. This means educating managers on the importance of employee participation in addressing issues relating to working standards, and ensuring that employees receive full information on their rights and responsibilities as workers.
- *Childcare:* Childcare facilities make a significant difference to women's ability to participate in the labour market, yet few companies provide such facilities. They need to work creatively with their women employees to find ways and means of providing them with easy access to convenient and affordable childcare facilities.

#### **Box 5. Example of good practice related to women workers**

A farming company in Kenya has established a Gender Policy and Gender Committee, specifically to address issues of concern to women workers. The gender committee comprises nine female representatives elected from all areas of the workforce, who meet with senior management to discuss problems and seek solutions. The following are some of the areas in which the committee is seeking improvements:

*Empowerment* – Greater gender equity in representation on various committees would give women greater empowerment. In 2003, there were plans to sensitize

women workers on the importance of having female representatives on the various committees throughout the farm.

*Pregnant women* – Currently this farm gives three months' paid maternity leave, one month of which is in lieu of annual leave. Women workers can take maternity leave as often as they need, but the aim of the gender policy is to encourage women to space their pregnancies for health and economic reasons. Pregnant women are to be given special treatment in their seventh month of pregnancy, such as the provision of light duties and no work in the cold-storage room.

*Mothers* - Mothers with small babies (less than four months old) should work for no more than eight hours a day.

*Health education* – The Gender Policy commits to providing education on HIV/AIDS, family planning, nutrition and hygiene. The farm has also trained peer counsellors for HIV/AIDS.

*Domestic violence and sexual harassment* – The company has contracted a local NGO – the Coalition on Violence against Women (COVAW) – to provide counselling and training on gender rights.

*Proposed crèche* – The gender committee is working to create a crèche with funds from the Max Havelaar social premium.

*Source:* Dolan, Opondo and Smith, forthcoming

The debate on social (as well as environment) standards has been contested on the grounds of protectionism. The standards are often set so high that they can place many producers in the South at a disadvantage, both vis-à-vis wealthier competitors in the North and other countries in the South that do not comply with the standards. Multinational corporations can readily shift production from one country to another, to get cheaper suppliers or to a cheaper location or where social and environmental standards might be more lax. This argument has been used by many governments with regard to losing foreign investment to other countries, especially to China.

Some studies have pointed to the counterproductive aspect of social measures or laws intended to protect women, in the sense that these regulations can raise the cost to firms of hiring women. For instance, Van der Meulen Rodgers (1999) suggests the end result is that, perversely, fewer women are hired. Furthermore, many of these measures (such as equal pay and equal opportunity) are difficult to implement and enforce.

Others point out that inequitable gender-related practices such as easier hiring and firing of women and more short-term contracts bring a short-term advantage for trade, but at the risk of long-term costs to society. While codes of conduct are used to assure the public that companies are concerned about labour standards, little attention is paid to the way in which pressures from the purchasing practices of retailers and brand companies undermine those labour standards (Oxfam, 2004:7). Insistence on higher labour standards is not hidden protectionism because the costs of basic benefits such as maternity rights and sick leave differ considerably between developing and developed countries. Thus, “universal respect of basic rights at work need not adversely affect the competitive position of low-income countries” (Oxfam, 2004: 11).

#### **4. GENDER-BASED COMPARATIVE REVIEW OF THE EFFECTS OF EXISTING STANDARDS IN FACILITATING TRADE IN GOODS AND SERVICES**

The positioning of gender equality issues within codes of conduct, fair trade and social labelling schemes is extremely important and timely for gender-related work and the debate on globalization issues. However, empirical evidence of a gender-based comparative view of the effects of existing standards in facilitating trade in goods and services is not readily available (beyond initial anecdotal evidence that some buyers may be pulling out of supplier countries where working conditions are particularly poor). Some work found in the economics literature remains largely at a theoretical level. For example, Becchetti and Adriani (2002) suggest that fair trade can be considered a welfare mechanism that concerns socially responsible consumption as a response to a range of market failures accentuated by processes of globalization. However, this research is not backed by empirical data and it would appear that there is much scope for primary research in this area.

#### **4.1. Codes of conduct and market access**

So far, there appears to be no written evidence relating specifically to the linkage between codes of conduct and market access. A plausible working hypothesis is that such codes *can* open up markets, in the sense that buyers may source from suppliers who adopt and comply with codes in preference to those with no agenda for improving labour standards. This buyer preference may arise from factors such as consumer pressure, branding and public relations issues, a genuine commitment to social justice, or simply that codes may be a reliable indicator of sound management practices on the part of the supplier.

Similarly, when supplying countries are unable to compete on cost alone, then improved working conditions and labour standards can become an attractive selling proposition for some buyers. Anecdotal evidence suggests that several multinational apparel corporations have stopped or decided against buying from certain suppliers in particular countries, purportedly due to poor working conditions. However, the stated rationale behind these decisions can be challenged, given that these same buyers often continue to source products from countries with similar working conditions. Such actions by buyers, in turn, can cause workers to lose their jobs altogether and be left without viable alternative employment.

#### **4.2. The growing market for fair trade products**

Data on the effect of fair trade paints a picture of a fledgling sector, addressing the preferences of a niche market, mainly in Europe, with enormous market potential for future growth. Fair trade is a small but significant part of the international trading system, and a particularly visible part of the ethical consumer market. In 2002, sales in the 17 countries that are part of the Fairtrade Labelling Organisations International (FLO) grew by over 20 per cent, although overall market share remains low, at \$400 million worth of retail sales per annum in Europe and the United States (or 0.01 per cent of global trade).

In Europe, sales of fair trade products through alternative channels and supermarkets are calculated to amount to at least \$228 million. The banana

is the fair trade product with the highest market share in Switzerland, where it has achieved 15 per cent, but elsewhere the market share for fair trade products such as tea and coffee is very low (Tallontire, 2001). Overall, coffee is by far the largest fairly traded product, yet the volume and value of fair trade coffee production and trade is minute compared with global figures (at most 2.7 per cent of total coffee sales in any European country and even less in North America, a market which is believed to have enormous growth potential for this product).

Switzerland and the United Kingdom have the largest and second largest overall markets for fair trade respectively. In the United Kingdom market, fair trade sales showed a 90- per-cent increase between the years 2000 and 2002, with an estimated retail value of about £63 million in 2002, and this is expected to rise to £100 million in 2004.<sup>17</sup> Nearly all major supermarkets and many independent stores now include Fairtrade products in their range. Every week 1.5 million Fairtrade bananas are sold in the United Kingdom alone, and will account for an estimated 4 per cent of the country's banana market in 2004. In 2002 there were nearly 60 companies offering 130 Fairtrade foods, including pineapples, mangoes and a wide range of confectionery foods such as fair trade chocolate cake and Christmas cookies. These figures are expected to rise to 100 companies offering more than 250 different products by 2004. One in four people in the United Kingdom recognise the Fairtrade mark (2003 figures).

### **4.3. Limitations and opportunities**

Some reports on the fair trade experience note that the gender issue requires more analysis and policy work (EFTA, 2003:1), and that a "debate about whether there are other social and environmental factors locally, nationally and internationally that need to be brought to bear on the logic of the Fair Trade market" is called for (Young, 2003: 7).

There is also some evidence that regular consumers of fair trade products are atypical of the overall consumer population: they are better educated,

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<sup>17</sup> Fairtrade Foundation website, <http://www.fairtrade.org.uk/>, accessed January 2004.

wealthier, mostly female, over 30 years of age and tend to work in the public sector or “caring professions”. Thus, such initiatives are currently in a fledgling state, only attractive to niche markets, and not yet mainstreamed into the consuming society as a whole.

This “niche” characteristic is reflected, in turn, in the less wealthy producing countries where benefits may be restricted to members of the producer organizations and may not spread to the wider community. Fair trade therefore runs the risk of producing “islands of wealth” in communities that are otherwise poor.

One way to counter this may be to consider a broader systemic approach to the movement that has enabled some towns and cities (as in the United Kingdom) to declare themselves as “Fair Trade Towns” with the following remit:

1. The local council should pass a resolution supporting the initiative agreeing to use fair trade products in offices, and identify a councillor to work in partnership with the local fair trade steering group.
2. A sufficient number (depending on population) of local shops and cafés should sell at least two fair trade products.
3. The above rule should be applied to workplaces and community organizations.
4. The campaign should be able to demonstrate popular support.
5. A steering group should be set up to ensure continued commitment to the initiative.

Overall, such initiatives are in their infancy but offer the potential of considerable benefits – and some disadvantages – in the present global economic, social and environmental systems (see table below). Not all of these benefits and disadvantages have yet been empirically proven; some are difficult to prove, while others are in any case more or less obvious:

## Benefits and disadvantages of fair trade initiatives

Economic benefits	Social benefits	Environmental benefits
<ul style="list-style-type: none"> <li>• High quality production processes may attract and be preferred by some global buyers.</li> <li>• Individual suppliers may be able to command higher prices by directly accessing premium niche markets.</li> <li>• Individual suppliers may be able to negotiate fixed prices and be less affected by global commodity price fluctuations.</li> <li>• Suppliers may develop longer term, more stable partnerships with buyers.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved overall working conditions.</li> <li>• Lower absenteeism and employee turnover.</li> <li>• Improved productivity.</li> <li>• Greater equity for, and consideration of, the specific needs of female employees.</li> <li>• May enable indigenous crafts and production methods to gain wider market access.</li> <li>• Suppliers may develop longer term, more stable partnerships with buyers</li> </ul>	<ul style="list-style-type: none"> <li>• Provides opportunities to raise awareness of and change practices to minimize the environmental damage caused by production processes.</li> <li>• Improved, more carefully considered, production processes may reduce the use of (for example) pesticides through attention to worker health and safety.</li> <li>• May provide an easy link to other standards, such as organic production standards, which inherently reduce environmental damage.</li> </ul>
Economic disadvantages	Social disadvantages	Environmental disadvantages
<ul style="list-style-type: none"> <li>• Creates dependence on small niche markets.</li> <li>• Could prompt buyers to go elsewhere as part of a “race to the bottom”.</li> </ul>	<ul style="list-style-type: none"> <li>• Creates “islands of wealth” with limited benefits for the wider community.</li> <li>• Does not account for loss of equivalent trade in “buying” countries.</li> <li>• Does nothing to reduce the social and cultural impacts of consumerism as a whole.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not account for externalities such as carbon dioxide emissions from air miles needed to transport goods.</li> <li>• Does nothing to reduce the environmental impacts of consumerism as a whole.</li> </ul>

Companies of all sizes are only just beginning to realize the market potential of improved production and human processes, such as employee involvement, at a global level. NGO and consumer pressure, media coverage, threats to brand and reputation and efforts to protect market share have influenced some multinational companies to respond to this agenda. In other cases, small suppliers have been directly informed by their own, more personal, values, beliefs and ethics to develop responsible business practices.

In short, fair trade and other related initiatives such as codes of conduct and social labelling, have significant potential for market development, which in turn *does* serve to improve the job quality and experience of workers (including, and especially, women). However, such initiatives are in their infancy and raise fundamental questions that have not yet been fully answered through experience or empirical study.

- (i) *Economic, social and environmental impacts.* How can the developmental impact for producers, suppliers, workers, and the regions and countries that they work in be maximized?
- (ii) *Economic impact through increased market share.* How can the presence of fair trade, codes of conduct and social labelling in the market, including the mainstream market, be increased?
- (ii) *Trust and accountability.* How can fair trade, codes of conduct and social labelling schemes be made accountable to key stakeholders and be able to substantiate their claims in the marketplace?

## 5. CONCLUDING REMARKS

Female workers in developing countries, still suffer from many gender-related inequities, including poor working conditions that characterize some parts of the supply chain and discriminatory practices such as sexual harassment, poor maternity support, childcare, transportation provision as well as long working hours. Fair trade guidelines, the Ethical Trading Initiative or social labelling and certification schemes can provide systemic

benefits and can raise awareness of some of the negative consequences of globalization, such as those related to gender inequalities, amongst Western buyers and consumers. At the same time, they can offer a more stable working context and better quality of jobs for workers and business owners in poor countries. However, such initiatives are not yet operating on a sufficiently large scale for many larger suppliers in poor countries to make the switch from competing on price to competing on process quality.

In general, gender is not necessarily a specifically named component in codes of conduct, fair trade guidelines, the Ethical Trading Initiative or social labelling and certification schemes. It is therefore necessary to close the gap between principle and practice with regard to codes of conduct and other standards, in order to make gender-related standards explicit – not “hidden” under the umbrella term “discrimination”. For this purpose, it is important to define a participatory work space where women workers (and other stakeholders) are involved in the designing, planning, monitoring, evaluation and evolution of gender-related standards.

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## Chapter 14

# THE ROLE OF INFORMATION TECHNOLOGY IN THE PROMOTION OF GENDER EQUALITY<sup>1</sup>

### INTRODUCTION

Extensive anecdotal evidence and available statistical data, albeit limited, indicate a gender divide in terms of access and use of information and communication technologies (ICTs) worldwide; this exists along with the better-known North-South digital divide. There are multiple reasons for the gender differences in ICT access and use, including cultural barriers that affect women's educational opportunities, family duties, and even physical mobility. Such qualitative elements are difficult to measure, but also quantitative data on the use of ICT disaggregated by gender are generally lacking worldwide. Furthermore, statistics on the impact of ICT on both men and women are practically non-existent. Available data for 39 countries on Internet use indicate that approximately 43 per cent of Internet users are female (see table 1), with an apparent rising trend in the proportion of women using the Internet as a percentage of the female population (ITU, 2003). The developed countries have the highest proportion of women Internet users, and in developing countries most women Internet users usually belong to an educated, urban minority. More detailed data is available for some developed countries, such as those in the European Union (EU), on the gender gap in computer and Internet use (table 2).<sup>2</sup>

The average proportion of women in telecommunication jobs worldwide is 27 per cent, with no apparent differences by the income level of countries. One may also extrapolate a gender lag in ICT sector employment, given

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<sup>2</sup> Also reported in UNECE Secretariat, 2003.

that general employment data show women lagging behind worldwide in terms of overall labour participation and remuneration (ILO, 2004).

Despite the opportunities offered by new technologies, very few people in developing countries are using them to support their business activities. According to the International Telecommunication Union (ITU), only 1.3 per cent of people in Africa and 6 per cent in Asia are using the Internet against 50 per cent in the United States. This digital divide is even wider amongst women involved in business activities. The gap is due to a series of factors that may include lack of infrastructure, literacy and education, cost and access to capital resources, geographical location of facilities, social and cultural norms, and insufficient computer and information management skills.

ICTs can play several roles in the promotion of gender equality at the economic and social levels in developing countries. Awareness of gender issues in developing countries' endeavour to participate in and benefit from the information society may be addressed and promoted through ICTs. In addition, policy-makers may integrate ICTs as enablers and strategic components of national development and trade policies, in the context of which focused attention may be given to the advancement of women. This chapter explains the opportunities offered by ICTs as instruments for the promotion of gender equality in the ICT-enabled or digital economy, identifies the main challenges in taking advantage of those opportunities, and makes proposals for international action and national policies in order to overcome such challenges.

**Table 1. Female Internet users as a proportion of total Internet users, 2002**

Country	%	Country	%	Country	%
United States	51	Denmark	45	Israel	42
Canada	51	Czech Republic	45	Japan	41
Hong Kong, China	49	Taiwan Prov. of China	44	Philippines	41
Thailand	49	Spain	43	Netherlands	41
Iceland	49	Norway	43	South Africa	40
Australia	48	Austria	43	China	39
Sweden	48	Argentina	43	Belgium	39
Chile	47	United Kingdom	43	Switzerland	39
Singapore	47	Luxembourg	42	France	39
New Zealand	46	Venezuela	42	Italy	37
Finland	46	Brazil	42	Germany	37
Korea, Republic of	45	Poland	42	Malaysia	36
Ireland	45	Mexico	42	Indonesia	35
				<i>Simple average</i>	<i>43.23</i>

*Source:* International Telecommunication Union, 2003.

*Note:* This table does not include some of the Middle East countries, where the percentage of female Internet users is significantly lower.

**Table 2. Gender gaps on ICT access and use in the European Union\***

*(calculated as the difference between the percentage of men and the percentage of women)*

Indicator	Gender gap (%)
<b>Computer Use</b>	
• Use of a computer in the last 3 months	6.1
• Use of a computer daily at home in the last 3 months	8.1
• Use of a computer at least once a week at home in the last 3 months	1.6
• Use of a computer daily at work in the last 3 months	4.5
• Use of a computer weekly at work in the last 3 months	1.0
<b>Internet Access</b>	
• Access to Internet daily at home in the last 3 months	6.1
• Access to Internet at least once a week at home in the last 3 months	3.1
• Access to Internet daily at work in the last 3 months	5.1
• Access to Internet at least once a week at work in the last 3 months	1.1

\* Refers to those EU countries and the Czech Republic for which data were available.

*Source:* Eurostat, 2002 Pilot Survey on ICT Usage in Households.

## **1. ICT OPPORTUNITIES FOR WOMEN**

ICTs, from media (radio and television) to telecommunications (telephones and the Internet), are transforming the way business is conducted, information is shared and production is organized. ICT applications are reducing the impact of time differences and geographical distances. New technologies can assist women's economic activities in farming, rural development, trade, business, and industry in a variety of ways. Women can use such technologies to obtain information that enhances their productive and community roles; enables them to run businesses and work in the information technology industry; secure resources for themselves, their families, and their communities; participate on an equal basis in the knowledge economy; and enhance their ability to acquire education and skills in order to transcend social restrictions.

For example, online access to information on weather, markets, new production techniques, and farming technologies could assist female farmers to increase their productivity. Internet technologies could help women entrepreneurs and traders disseminate information about their businesses and market their products and services. In addition, ICT applications are offering businesswomen in developing countries the opportunity to work in new business fields, made possible by improved connectivity and increased processing power.

### **1.1. Increasing awareness**

ICTs can play an important role in raising awareness of, and thus helping overcome, the economic, political and social inequality of women (World Bank, 2003a). Such awareness is particularly important in countries where gender disparities are exacerbated by the cultural and social isolation of women. Furthermore, ICTs in general, and the Internet and media in particular, may contribute to the dissemination of ideas on the potential that exists for the advancement of women, and provide information on positive female role models. Communities can be made aware of how ICTs may directly improve the daily lives of girls and women, by providing diverse

educational and professional opportunities that could lead to better remuneration, thereby increasing their means to provide for their children and contribute to their households. The potential contributions of ICT-empowered women to the community at large could also be highlighted.

In addition, the expansion of positive perceptions of women in ICTs may promote corporate demand for females in the workforce who have the relevant qualifications, and the demand from women themselves for ICT education and training. In Afghanistan, for example, a growing network of independent community radio stations, operated and staffed by women, provides a voice for Afghan women as well as valuable information on cultural, humanitarian and social issues to which they would have little or no access otherwise. At the same time, radio station staff learn radio production and technical skills (see [www.irinnews.org](http://www.irinnews.org). of UNOCHA, 10 November, 2003).

## **1.2. Economic empowerment**

In general, ICTs can be instrumental in reducing poverty as part of national development policies that include a gender perspective, thereby contributing to the first Millennium Development Goal (MDG) of poverty eradication. For example, ICTs can reach rural populations, where the majority of poor women live, and provide them with education and training, job opportunities, access to markets and information important for their economic activities. But more specifically, ICTs can contribute towards the third MDG of promoting gender equality and empowering women insofar as they offer women opportunities for work and for entrepreneurship, thus enhancing their economic autonomy, social participation and political influence (World Bank Group, 2003b). ICTs help women in trade and in business to overcome time constraints, social limitations and limited access to information resources and networks. ICT applications can provide the basis for leapfrogging initiatives, and could have a direct impact on alleviating the situation of poor women and promoting sustainable, gender-equitable development. In terms of enhanced working opportunities, ICT-enabled services are areas in which women are

most likely to thrive, provided that they receive adequate support within the framework of national e-strategies, as explained below.

### *1.2.1. ICT-enabled services and outsourcing*

As a result of the fast spreading of Internet connectivity and the increased processing power of computer technologies, women are entering new business fields, which enables them to buy and sell services rather than tangible goods. Some of these ICT-enabled businesses are particularly attractive, as they require low capital resources and a low level of computer skills. The services offered by women range from translation services to telecentres, Internet booths, call centres and back-office operations. In South Africa, for example, women hold 19 per cent of data communications and networking jobs, and 18 per cent of jobs in information systems and information technology management. Numerous examples have been cited as unique success stories: translation services in Togo, telecentres in Senegal and Morocco, phone shops in Ghana and Internet cafés or kiosks in Thailand (see boxes 1 and 2).

#### **Box 1. Thailand Canada Telecentre Project (TCTP)**

Community telecentred or rural information kiosks are Internet access hubs for rural communities. Kiosks can play multiple roles in the areas of capacity building, e-commerce, education and health. The TCTP comprises kiosks in six communities in Thailand, which were selected based on criteria that included the integration of women. The TCTP aims to demonstrate that valuable ICT services can be delivered to both men and women in a financially sustainable manner in remote and rural areas, as well as unserved and underserved (poor urban) areas. The TCTP covers capital costs for the kiosks (e.g. phone services installation, computers, printers, modems, fax machines) and the first year of internet service provider (ISP) charges. The kiosks cover operating (recurring) costs, such as salaries and electricity. The TCTP provides initial training to all kiosk managers and operators (at Chiang Mai University) the training relates to the Internet, word processing and other IT skills, as well as management skills. The kiosks create jobs in rural and remote areas regardless of gender, particularly for the individuals operating the telecentres.

*Source:* <http://www.digitalpartners.org/baramati4/thailand.ppt>

### **Box 2. Ghana phone shops**

In Ghana there are numerous Internet access points located at phone shops called "Communication Centres", mainly in urban areas and generally run by women. Many are small businesses in urban areas that provide Internet access via franchises from the regional ISP AfricaOnline. These provide drop-in Internet access and e-mail services to about 20,000 users. Some franchises are being turned into Internet cafes.

BusyInternet Ghana Ltd, a partnership between Ghanaian investors and a United States-based technology company, has built a large cybercafe in Accra as the first in a series of Internet centres across Africa. These centres are aimed at the higher end of the market and will provide individuals and businesses with the expertise and resources needed to promote and expand their traditional businesses into e-commerce and other Internet-related activities.

Each centre (otherwise known as incubators) consists of three areas: a 60 seat learning centre for workshops and seminars, an access area with 100 computers for public internet access, and 4,000 sq feet of office space where small businesses and organizations can develop their Internet-related programmes and products. With plans to launch two new centres each year, BusyInternet aims to create a network of centres of excellence where participants and businesses can share best practices and help each other exploit new opportunities.

*Source:* Mike Jensen at [http://www.acacia.org.za/jensen\\_articles.htm](http://www.acacia.org.za/jensen_articles.htm)

In some countries, women are already a significant part of the workforce in ICT-enabled activities, the most noteworthy of which is telemarketing. For example, women make up 90 per cent of direct marketing associates at Kotak Finance, a leading non-banking finance company in India (UNU-INTECH et al., undated). However, business process outsourcing (BPO) in general, which entails the digital processing of information in remote locations through the use of networking technologies, offers growing opportunities for women in developing countries, with the potential for higher remuneration and acquisition of additional skills in information technology (IT). The International Data Corporation (IDC) has estimated that global spending on BPO would increase from \$56 billion in 2000 to \$100 billion in 2005 (<http://www.idc.com/>). In this regard, it should be noted that developing countries are increasingly becoming providers of

BPO services for companies in industrialized countries, since the cost of ICT labour is significantly lower. India and the Philippines have been able to attract BPO clients from developed countries thanks to their cheap, skilled, computer-literate, English-speaking workforce, as well as to a favourable policy framework for foreign investment in ICT-related business. However, outsourcing countries need to be open to transferring some of their ICT service operations to offshore sites.

Limited statistics indicate that women in some Asian and Latin American countries already occupy more than 20 per cent of professional jobs in BPO. In India, where BPO and software services are major exports, women have been targeted for government initiatives promoting the growth of the IT workforce, which encourage female enrolment in IT education ([http://www.ddsi.org/Documents/final%20docs/DDSI\\_Country\\_Reports\\_Final\\_India.pdf](http://www.ddsi.org/Documents/final%20docs/DDSI_Country_Reports_Final_India.pdf)). Supported by gender-sensitive human resource development policies and training strategies, women in developing countries can be trained to provide basic services such as data processing. But they should also be encouraged, and be given the opportunity, to develop their IT skills in order to go beyond back-office work and become website designers, network managers or IT service consultants, so that they may opt for enhanced work opportunities on equal terms with men.

In this context, much has been made of teleworking, as a new, ICT-enabled way of working, for women. Telework refers to ICT-mediated distant work, and covers both telecommuting (including from home) and institution-based work as performed in call centres, neighbourhood centres or satellite offices. The outsourcing of business processes to distant units within or across the national boundary could range from satellite offices, such as call centres, to homes of employees or vendors, or to offices of customers or clients. Box 3 provides a brief overview of the opportunities offered by teleworking.

### Box 3. Teleworking

*Telecommuting.* Home-based teleworking could, in theory, enhance the participation of women in the digital economy. A woman can be connected to the head office and can perform her professional work from a distant site, such as a neighbourhood centre or her own home. This is possible as long as her work involves storing, processing, retrieving and delivering digitized information. This use of ICT can offer a solution that is attractive both to women and to the corporate sector interested in retaining skilled women employees, since it allows flexibility in both the timing and location of work. In order to undertake home-based teleworking, women need to acquire self-management and time-management skills.

Whereas some women appreciate the opportunities provided by teleworking, others fear that the home-based work will deprive them of the status of working women and hinder their efficiency or their ability to progress professionally. Some managers also prefer to have more direct control and physically interact with employees. Surveys of home-based teleworking carried out in Mumbai and Kuala Lumpur revealed that women had a preference for institution-based teleworking, as in call centres. These centres could provide collective childcare facilities, thus enabling women to interact with peer groups and acquire and improve their tacit skills. They could also offer facilities for ICT training.

*Institution-based telework.* With regard to institution-based telework, *call centres* have received much attention from policy-makers, donor agencies and United Nations bodies. Call centres, by decentralizing business and work, bring new opportunities for women – away from the city centres – to be included in the business-to-business (B2B) segment of e-commerce. For women, call centres located on the outskirts of cities reduce the need for commuting; for management, they offer the possibility of adequate supervision for ensuring quality control. In some countries, such as India, Jamaica, Malaysia and the Philippines, call centres have already proved to be a success in allowing women to participate in the digital economy, in particular young women just entering the workforce. In view of the projected growth of these call centres, women are likely to benefit from this segment of e-commerce. It should be noted that the sustainability of call centres needs to be continuously reassessed, since changes in technology (such as voice recognition by computers and web-based interface technologies) may alter the volume and nature of the demand for certain types of services. Eventually, call-centre services may no longer require a central base; instead, they may be provided virtually through a network of home-based teleworkers. Women therefore need to have access to appropriate training and continued education in order to retain their share in this changing market.

*Source:* UNCTAD (2002, ch. 3).

A specific BPO service that holds significant promise for women as small entrepreneurs is e-finance. The services outsourced include online management of ingoing and outgoing payments, which in many cases has been taken over by banks. In this regard, women can profit from being both service providers and service users, since e-banking and the outsourcing of domestic electronic payments offer cost savings and efficiency opportunities for small and medium-sized enterprises (SMEs), in which women are more heavily involved. In addition, SMEs can use online platforms that centralize and simplify trade processes and related trade finance, thus avoiding considerable bureaucracy and paperwork. In Brazil, most leading banks offer advanced e-banking services, which are actively used by SMEs. For example, in 2002, 30 per cent of Banco Itau's SME customers used online services. In Mexico, Banamex bank had over 1.25 million users of Internet banking in 2002, including 50,000 companies, mostly SMEs; also, the Mexican subsidiary of the Spanish bank, BSCH, offers an online marketplace linking SMEs with various suppliers, and an online procurement system. In India, the SME department of ICICI Bank is a leader in the design of wholesale e-finance credit lines for SMEs (UNCTAD, 2002, ch.6).

### *1.2.2. ICT entrepreneurs*

ICTs can be instrumental in promoting female entrepreneurship in developing countries. An often-cited example of women entrepreneurs in ICT-enabled business is Grameen Phone in Bangladesh, where women buy mobile phones and offer telephony services to the community for a fee (<http://www.grameenphone.com/>). The operation of Grameen phones does not require sophisticated skills or a large amount of start-up capital, proving that ICTs hold promise also for poor and less-educated women. ICTs have also enabled women to embark on e-commerce ventures, such as marketing and selling handicrafts or food items over the Internet, including through e-marketplaces. For example, Banascraft.org in Gujarat, India, sells the traditional handicrafts of more than 10,000 village women, without intermediaries (<http://www.banascraft.org/>). In Cameroon, ASAFE (Association pour le Soutien et l'Appui à la Femme Entrepreneur) uses

ICTs to provide contacts with other business networks, to facilitate time-management flexibility for women – given their multiple social responsibilities – and to provide Web-based training (ITC, 2003a; also refer to the following website: <http://www.networkedintelligence.com/asafe.html>).

As women entrepreneurs in developing countries acquire confidence and knowledge in the use of ICT, they may advance from business-to-consumer (B2C) retailing on the web, to B2B activities. B2B activities may add value and volume to existing e-commerce ventures, but also can become business opportunities themselves. It is not far-fetched to envisage the possibility of women who are already employed in BPO setting up shop for themselves, or women with advanced IT skills offering their services independently. An example of successful female entrepreneurship in B2B is New Age Systems, a United States-based software services company with offshore processes in India, which was founded by an Indian woman educated in IT engineering in Kerala, India (<http://www.newagesys.com> and <http://www.newagesysindia.com/>).

ICTs are now incorporated into most development projects that assist women entrepreneurs, as a marketing tool for tapping online customers and for promoting their products through the Internet. ICTs are also used for providing business training to women; in addition, they facilitate networking and improve quality management. For example, the SEWA Trade Facilitation Centre in India helps women entrepreneurs, develops information and training software in local languages and has designed customized software for poor, illiterate women engaged in embroidery or dairy activities (ITC, 2003a).

### *1.2.3. International trade*

International trade offers new growth opportunities for businesswomen in general, and those in developing countries in particular. Surveys of SMEs indicate that, with the globalization of markets and advances in technology and telecommunications, even the smallest business can expand its sales abroad. With the increasing sophistication of ICTs and the continuous decline in the costs of using them, businesswomen are adopting innovative

solutions, based on ICT applications, to run and expand their businesses internationally. The integration of technologies allows women to manage their businesses from a distance, to handle accounting and order-processing online and to communicate with their business partners around the world at any time of the day. Women entrepreneurs are focusing on opportunities offered by international trade to generate higher revenues. In Mexico, for instance, women business owners engaged in international trade derive 25 per cent or more of their revenues from such activities. Despite the positive prospects, international trade remains dominated by businesses owned by men. The rapid development and deployment of new ICTs and their applications could be instrumental in narrowing this gap and enabling women to play a greater role in international trade.

In the services sectors, ICTs have become particularly influential, as numerous services can now be marketed and delivered online. This has significantly improved market access for women in international business who may face time and resource constraints in traveling to foreign markets. The outsourcing of business support services has also increased opportunities, particularly for women in developing and transition economies, to export their services (see above).

ICT applications can help businesswomen in developing countries to support and further develop old businesses. The most widespread use of the technology by women in developing countries is for selling tangible products that cannot be delivered online. Women use the Internet and the virtual marketplace as a marketing and selling tool for tapping new markets. Several successful experiences exist in South Asia, Latin America, Africa and the Middle East. For example, women crafts manufacturers in Cambodia are using the Internet to promote the unique cultural value and quality of their products in their bid to attract customers from around the world and to sell their products online. Ethiopia has opened a gift shop that sells online traditional Ethiopian food items and spices produced by women. A Middle Eastern website allows customers to reproduce the "oriental bazaar" experience on the Internet, selecting products and bargaining for the price (<http://www.elsouk.com>). These solutions have helped women improve the international marketing of their products, and

made international markets/customers more aware of the specifics of such products.

In addition, ICTs offer women in developing countries the unique opportunity to gain direct access to market information, market conditions and market prices, overcoming the constraint of business intermediaries. This strengthens the bargaining power of women involved in producing and trading local products, particularly those located in isolated areas and managing very small companies. It enables them to ask for higher prices for their products, thereby improving their revenue and contributing to their business development. For example, at Internet coffee auctions, African coffee producers have been able to obtain a price premium that is double the market price, for high quality coffee. Similarly, women in India are able to sell their silk *saris* (their traditional dress) at a price 10 times higher than the local price.

A critical factor for becoming successful exporters is to join trade and industry associations, which is the fastest route to developing a broad referral network and accessing training. For many women, time is their scarcest commodity, which is why they do not join business associations as frequently as their male counterparts. With the emergence of the Internet, this situation has significantly improved. The Internet has now become the most reliable and cost-effective tool to develop international linkages and to access a large number of businesswomen's associations and networks around the world. These linkages provide contacts, business opportunities, local market intelligence, and research and background information that can benefit expanding businesses in a timely and cost-efficient manner. They also provide women with models for good practices and programmes that can be duplicated elsewhere.

#### **Box 4. Examples of international businesswomen's networks**

Business and Professional Women International	<a href="http://www.bpwintl.com">www.bpwintl.com</a>
Commonwealth Business Women's Network	<a href="http://www.cbcglobelink.org">www.cbcglobelink.org</a>
Global Summit of Women	<a href="http://www.globewomen.com">www.globewomen.com</a>
International Businesswomen's Network	<a href="http://www.bwni.com">www.bwni.com</a>
Les Femmes Chefs d'Entreprises Mondiales	<a href="http://www.fcem.org">www.fcem.org</a>
Organization of Women in International Trade	<a href="http://www.owit.org">www.owit.org</a>

## **2. ADDRESSING THE CHALLENGES WOMEN FACE ENTERING THE DIGITAL ECONOMY**

Women face specific constraints to their economic empowerment through ICTs, which limit their involvement in e-business activities and hinder their competitiveness.

### **2.1. Increasing access**

Although there are general limitations of access to ICTs in developing countries, women may face additional barriers that exacerbate the gender divide. Rural and poor areas of developing countries, where the majority of women tend to live, are generally lacking in ICT infrastructure, making the urban bias of infrastructure also a gender issue (Hafkin, 2003). Moreover, in Africa, connections are also very slow, with bandwidth and time constraints. Lack of access means that women entrepreneurs miss out on information and networking opportunities. Increased connectivity, computerization and communications could enhance the economic activities of rural women. In particular, cost-efficient, high-speed Internet connections could contribute to the success of businesswomen outside the main cities who wish to engage in the export of services.

The physical mobility of women may be restricted by cultural norms and by their social roles as family care providers, which limit their ability to access ICTs outside the home. It has been suggested that public Internet services be offered in venues that are convenient and accessible to women, such as markets, churches and health clinics (UNCTAD, 2002, ch.3). In Uganda, the Nakaseke Community Multipurpose Telecentre has attracted women to its facilities by offering access to a CD-ROM entitled *Rural Women in Africa: Ideas for Earning Money*, which uses graphic interface and spoken text in the local language, making it easy to use by women who are unable to read (see:<http://www.wougnet.org/News/cdupdate.html> and <http://www.nakaseke.or.ug/>). Wireless technology also offers an alternative to overcome barriers to the physical mobility of women, so that they can

benefit from e-education and are not culturally isolated. Better access to Internet technologies, particularly in poor urban and rural areas, would allow women to become educated in ICT, to participate in e-commerce or telework, and to be generally informed about the local issues that affect them.

Access is also limited by the cost of connectivity. Although access to mobile communications has greatly increased in many developing countries, as evidenced by the growth of the cellular phone market in Africa, Internet connectivity can still be very difficult due to high costs of hardware and software. For example, in the Philippines, an Internet hook-up costs about \$200, which is beyond the reach of middle-income families, and is considered a luxury item for most families.

## **2.2. Identifying opportunities**

Worldwide demand for ICT-related skills has been on the increase for several years, despite the crisis in the IT industry in 2000, and in 2002 there was an acknowledged shortage of IT workers worldwide. This means that there are opportunities to be seized by qualified women. The range of skills required by the ICT corporate sector is wide, but is basically divided between IT activities (e.g. systems engineering, software development and network management) and business activities (e.g. data processing, e-procurement and telemarketing). Men tend to dominate the more sophisticated and technical IT activities, which are usually paid better, while women are mostly engaged in the business side. Although women should be encouraged to pursue the whole spectrum of ICT activities, it is also desirable that they play a greater part in the higher echelons (UNCTAD, 2002, ch.3).

## **2.3. Increasing market access**

Business process outsourcing will play an increasingly important role for developing countries. In the near future, more and more traditional industries located in developed countries, such as those in the retail, energy, transportation and manufacturing sectors, will outsource parts of their

services. This will trigger an increase in international trade in services, as most of these business processes are outsourced to foreign providers. These human-capital- intensive services offer considerable potential to developing countries with abundant cheap labour, providing them with increasing opportunities to develop their exports in certain ICT-related services. In particular, the growing demand for outsourced services by companies in developed countries is likely to provide new employment opportunities for women in the ICT-enabled services sectors in developing countries. This, however, requires open markets in the countries outsourcing the services. Yet in the United States, policy-makers and trade unions are becoming increasingly concerned about services jobs moving to developing countries, and this may inhibit United States companies from outsourcing some of their activities abroad.

Businesswomen may not be able to participate in international trade in goods and services due to the lack of information on market requirements and access conditions. Better access to business support services, electronic trade resources and commercial information networks may reduce this knowledge gap and help women meet international trading requirements. The lack of access and knowledge also inhibits market entry opportunities. For instance, women in African countries have suffered from lack of intellectual property protection, resulting in African designs being reproduced in Asian countries and exported on the international market. This has made it more difficult for the small African entrepreneur to benefit from a niche market.

#### **2.4. Building women's capacity**

Women in developing countries have limited access to formal education and training relative to men. Indeed, nearly two thirds of the world's illiterates are women, and one out of every two women in developing countries is illiterate. Women need basic literacy and computer skills to enable them to read and compose simple messages, navigate the Internet and execute commands in software applications. Beyond access to basic education, girls and women need to be equipped with the skills necessary to prepare them as ICT users, creators, designers and managers. Such

positions require more sophisticated skills, and are thus better paid. However, in order for such education to be effective, there also needs to be a demand from women themselves. In this context, it has been suggested that computers and the Internet be integrated early into school curricula in order to increase awareness among girls of how ICT skills could lead to a wide range of careers, and thus encourage them to demand and pursue ICT-related courses. Therefore, countries should make efforts to increase the number of girls and women studying IT-related subjects in formal schooling and seeking IT training outside their schools.

Furthermore, a national policy on ICT education for women may also improve the conditions for ICT investment in developing countries, as women increase the ranks of a skilled workforce. The willingness of women, and their communities, to welcome and undertake ICT learning activities should be fostered, possibly by raising awareness of the potential benefits ICT could offer them, and by taking into account their lifestyles and traditional roles. For example, in some communities, traditional gender roles may condition or inhibit women wishing to pursue ICT studies and careers, since they are expected to take care of children and the household. A simple action such as providing day care at training facilities or in the workplace may go a long way in aiding women to develop their ICT potential.

The ICT business skills of women also need to be developed, including in the area of international business. Many businesswomen in developing countries have limited international business experience, export and management skills. As a result, they tend to use ICT applications as office work tools rather than as tools for enhanced business communications, exchange of business information and business development. More businesswomen need to learn how to leverage ICT solutions to produce content, to generate new business and to achieve their growth objectives.

## **2.5. Developing tools**

In order for women to adequately benefit from ICT education, available infrastructure and economic opportunities related to ICT, appropriate tools

need to be developed. Such tools have to be readily understandable and usable by women from different educational levels, and, ideally, should be tailored to local culture and language. Free and open source software could help make software available in the local language. The development of ICT educational materials, as well as ICT-related products and Internet content dealing with women's issues, in languages other than English, should make ICT more usable and relevant to women in developing countries. For example, in Chennai, India, women volunteers at village knowledge centres gather information on agricultural prices, market, entitlements, healthcare, livestock care, transport and weather forecasts for fishermen, and feed it into a Tamil-language intranet that can be accessed in other villages (<http://www.uncrd.or.jp/ict/pondicherry.html>). In Bolivia, ICTs have also helped circumvent the obstacle of basic illiteracy; for example, the PRODEM Foundation's "smart" automatic teller machines, which have voice-recognition in Aymara, Quechua and Spanish, provide banking services to micro-entrepreneurs, many of them indigenous women (Hernandez and Mugica, 2003).

## **2.6. Facilitating access to capital**

Financial backing is an additional challenge for women entrepreneurs in ICT or ICT-enabled businesses. Since women are less likely to control household income and to spend it for purchasing technology or access to information outside the home, they will often depend on outside funding for any IT-related enterprise. Securing capital for investments in such technology, in particular for informal businesses, can be very difficult. Micro-credit programmes aim to cater to women in the informal sector with little or no collateral, and these might become government partners in creating and implementing ICT-specific initiatives for the advancement of women. The case of the Grameen Bank in Bangladesh, mentioned earlier, is a successful example of micro-credit for ICT-enabled businesses aimed primarily at women, and in Nigeria the Fantsuam Foundation supports community-based, community-sustained computer centres as part of its micro-credit and poverty alleviation scheme ([http://www.apc.org/english/hafkin/haf\\_winner.shtml](http://www.apc.org/english/hafkin/haf_winner.shtml)). Women receive loans and basic computer literacy training, and the community learning centre hosts both educational

activities (including distance learning) and micro-credit meetings. Users pay fees to train and use the facilities, sometimes in kind, including access to satellite-based e-mail and Internet. ICT-related initiatives can add value to micro-credit schemes aimed at women and to their entrepreneurial development.

## **2.7. Generating gender-specific data**

Finally, governments and international organizations have acknowledged a lack of comparable and reliable ICT-related statistical data in the majority of countries, including gender-specific data. Such data has become increasingly necessary in order for countries to evaluate their national ICT policies and benchmark their performance with respect to others. It is also needed for an accurate analysis of the impact of ICT strategies to promote gender equality, and to determine the status of women in the information society. Currently, digital access indices are not calculated taking gender into account. However, experimental calculations indicate that disaggregation of digital-access indicators by gender may reveal inequalities that were previously hidden, in particular with regard to indicators of ICT affordability, knowledge and usage (ITU, 2003b). Furthermore, the patterns of work in the ICT industry are highly gendered, since most women occupy lower-level ICT jobs and lack representation in managerial and engineering positions. But this has not been fully researched (Hafkin, 2003).

At its forty-seventh session, the Commission on the Status of Women (CSW) of the United Nations Economic and Social Council urged governments and other stakeholders to "increase efforts to compile, and disaggregate by sex and age, statistics on ICT use, to develop gender-specific indicators on ICT use and needs, and to collect gender-specific data on employment and education patterns in media and ICT professions" (UNCSW, 2003). Thus the gender perspective has become increasingly important to the policy and technical work, including through expert meetings and partnerships, for measuring the information society that is evolving worldwide. However much still needs to be done at both the national and international levels.

### 3. POLICY RESPONSES

#### 3.1. The role of the international community and international organizations

The international community can play an important role in realizing the potential of ICT for the promotion of gender equality. International organizations are increasingly mainstreaming gender issues in trade and trade policy, including the inclusion of gender perspectives in conferences on e-strategies, in the deployment of e-projects, in major publications, and in discussions on the development of ICT indicators. In addition, gender was a cross-cutting concern during the Geneva phase of the World Summit on the Information Society (WSIS), which featured a Roundtable on Regional Cooperation on Gender and ICT and the contributions by the WSIS Gender Caucus. The WSIS Declaration of Principles recognizes the promotion of gender equality and empowerment of women as one of its challenges, and affirms that the development of ICT provides enormous opportunities for women as participants in the information society. The WSIS Plan of Action recommends concrete actions to promote gender equality, listed among the national policy proposals in this section. (WSIS, 2003). First of all, recommendations for international actions are presented below.

- ***Greater focus on building and strengthening the capacity of SMEs managed by women in developing countries.*** The international community and international organizations have increased their focus on providing support to micro and small entrepreneurs, who often work in the informal sector. It has been suggested that programmes to build women's skills in the use of ICT solutions should therefore focus on SMEs (see [www.banascraft.org/](http://www.banascraft.org/); and [www.networkedintelligence.com/asafe.html](http://www.networkedintelligence.com/asafe.html)). When strengthened, SMEs stand a better chance of continuing to grow and enter additional markets at the regional and international levels. And when they grow, they have a multiplier effect on smaller companies and those involved in the informal sector.

- ***International mentoring programmes and networking platforms.*** Web platforms can be used to promote international mentoring and networking of women entrepreneurs. Mentoring programmes enable women from developing countries to access a wealth of information on the experiences of other successful women in developed countries. This also builds and strengthens women's business networks, offering new opportunities particularly to women living in isolated or remote areas.
- ***Development of training programmes.*** Training programmes that focus on the specific needs of women entrepreneurs may strengthen their business, export and IT skills. These programmes should follow a participatory approach and take into consideration the time constraints and limited resources of women in developing countries. Programmes can be developed in collaboration with national women's associations, which can be instrumental in dissemination and ensuring participation.
- ***Gender and ICT research.*** International organizations are paying more attention to the need for developing gender-disaggregated data in ICT. These data would improve the analysis of gender and ICT issues, such as female access to ICT and the use of e-applications by businesswomen. International organizations may provide guidance to governments in developing countries on how to enable and benefit from research on gender and ICT. The international community should continue to cooperate to develop comparable, gender-specific ICT indicators and data, with a view to eventually making them available in an international database.

### **3.2. The role of national governments**

The main role of governments is to create policies that will allow ICTs to be used for the advancement of women and that will be conducive to the participation of women in the digital economy. National ICT policies should include a gender perspective, be aware of the opportunities and challenges that technology brings to women, and advocate gender equality.

It is important to address, from the outset, the ways in which women would access and use ICTs, so that these technologies effectively contribute to empowering women and to reducing their economic and social marginalization. ICTs are not only about hardware and software; they are also about the ability of men and women to make use of them. When designing gender-sensitive interventions, countries should consider whether aspects of ICTs affect men and women differently, whether ICTs transmit the knowledge of both men and women, and whether both genders have the same access, needs and demands for the technologies. Some policy proposals to that effect are offered below.

- ***Improving the general ICT infrastructure and access to ICTs, with due attention to gender-specific barriers to access.*** Governments should ensure that ICT access is extended to rural and poor urban areas, where many women live. Communal ICT facilities should be provided in telecentres, or in venues frequented by women, such as markets, health clinics and schools. Improved access should include the development of relevant online content and user-friendly applications in local languages. Telecentres should be connected through satellite and wireless service and should enable women to use advanced technologies at a low price.
- ***Removing gender barriers to ICT education and training, and promoting gender-sensitive training opportunities in ICT-related fields.*** Science and technology programmes at school should target girls and young women with the aim of encouraging them to pursue ICT careers. Gender-sensitive curricula in formal and non-formal education should be strengthened. Communication and media literacy for girls and women should be enhanced with a view to building their capacity to understand and develop ICT content. The exchange of best practices on the integration of gender perspectives in ICT education should be promoted. Due attention should be paid to the type and quality of ICT education and training, so that they correspond to the long-term development of national e-strategies and to the foreseeable requirements of both national and international markets (such as ICT-enabled services, software and

computer-related services), while providing women with flexibility and possibilities of further development of their skills. Training could be delivered through the traditional approach or through distance learning. In this context, online instruction could provide women with flexible access arrangements and study times, and reach women in rural areas.

- ***Promoting and creating e-business and ICT-enabled employment opportunities for women.*** National policies should strive to be comprehensive in offering such opportunities, or promoting the environment for the creation of such opportunities, in terms of the range of skill levels required. In this context, national e-strategies should take into account the potential contributions of the female workforce and adequately address its needs by promoting, for example, family-friendly policies. Best practices for e-workers and e-employers should be built, *inter alia*, on the principle of gender equality.

With respect to ICT entrepreneurship, depending on the constraints women face in different countries and societies, they may need specific infrastructure and support that would enable them to enter into, expand or develop their businesses. In achieving this, a fully participatory process should be encouraged, with the participation of gender experts and organizations that work on gender issues. An example of such an initiative is the task force on women entrepreneurs, set up by the Prime Minister of Canada, which led to the development of a comprehensive action plan to promote and support female entrepreneurship. In developing countries, telecentres may be developed as incubators and facilitators of ICT-related or ICT-enabled small businesses (Government of Canada, 2003). Telecentres may provide women with information and networking opportunities to develop their business activities, as exemplified by the Information Stores in Burkina Faso, which are operated by the Government. They deliver agricultural production and marketing information to rural farmers, with a focus on the information needs of women, and use local radio to maximize dissemination.

In this context, policy-makers should bear in mind that appropriate or successful ICT solutions for women may not require high-end technology. Often, making judicious use of available, affordable technology—including intermediate technology—can have a greater impact than using the latest technology for its own sake.

- ***Increasing market access for ICT-related services, given their potential for providing employment opportunities for women.*** While ICT goods are subject to import liberalization, ICT services are not. For developing countries to increase their exports of services by taking advantage of the new technologies and e-commerce, open markets in the potential importing countries are required. This would require commitments under the General Agreement on Trade in Services (GATS) on market access (for example, the removal of quantitative restrictions) and national treatment (for example, the removal of discriminatory taxation). Moreover, in certain ICT services, close interaction with the client is necessary. While some of the client interaction can be carried out remotely, other services require personal contacts with the client. This could imply employing foreign workers or temporarily sending local engineers abroad. However, in the case of computer-related services, for example, only 4 to 7 per cent of WTO Members have made full commitments on market access for the presence of natural persons (UNCTAD, 2002, ch.9) Further liberalization in ICT-related services is therefore urgently needed.
- ***Establishing networking opportunities and mentoring programmes to facilitate ICT-based businesses.*** ICTs could facilitate networking at national, regional and international levels, and the sharing of success stories that may be replicated. They could be used to facilitate formal and informal e-networks as support tools for business relationships and for mentoring programmes. Such programmes, both at the national and international levels, may coach businesswomen in developing countries to help them become more effective in their e-business operations. Through mentoring programmes, experienced and successful businesswomen could

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counsel a new business for a specific period of time. Mentors may share their experience and contribute to the application of best practices in using ICTs to support business development.

- ***Creating national information hubs.*** National information hubs may be created, using Internet technologies, as one-stop shops that would offer businesswomen easy, equal and rapid access to valuable information. These hubs could include information on business contacts and market prices, or they could help women improve their knowledge of market entry conditions, intellectual property rights and other legal and regulatory information, thus better preparing them for engaging in international trade. National information hubs could also provide access to e-procurement and government tenders.
- ***Strengthening businesswomen's associations.*** Businesswomen's associations could use ICTs to provide business support services. They could play an important supportive role, for example, by providing access to technology, incubation services, training for trade, market information and contacts for sources of credit. They may also provide leadership and advocacy on gender issues in ICTs and e-business. Furthermore, the use of ICTs by associations enables women to come out of isolation, since they offer shared resources and possibilities to reach out to remote areas. The sharing of resources reduces capital requirements in the initial phases of ICT-enabled or ICT-related businesses and facilitates business incubation. Business associations can be starting points (for information and training) for women who wish to integrate ICTs into their business strategy.
- ***Improving access to financial capital for women entrepreneurs in ICT.*** Innovative approaches are needed to provide women entrepreneurs with the required capital to develop and strengthen their businesses, and to facilitate their access to computers and other technologies. In particular, micro-credit programmes targeting poor and rural women should be promoted. In this context, the use of ICTs as enablers of micro-financing should also be considered, and

the exchange of best practices in ICT-enabled and ICT-related SME financing promoted.

- ***Improving the availability and analysis of gender-specific quantitative and qualitative data in order to adequately evaluate the impact of national ICT policies on women.*** A gender-disaggregated analysis of ICT statistical data would help evaluate the progress of the status of women with respect to national ICT policies, and to benchmark their status between and within regions. In addition, gender-specific indicators on the demand for and use of ICTs may help assess the contribution of ICT-empowered women to local economies. This kind of data could be brought increasingly into the area of official statistics.
- Finally, ***national governments should create the conditions to increase women's participation in ICT policy-making***, at both lobbying and decision-making levels, in order to advance women's interests and ensure that gender issues are addressed.

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## Chapter 15

# **GENDER-SPECIFIC CAPACITY BUILDING FOR TRADE AND ENTERPRISE DEVELOPMENT:**

## **EXPERIENCES IN THE UN SYSTEM<sup>1</sup>**

### **INTRODUCTION**

Women participate in international trade not only as workers, but also as entrepreneurs who make a valuable contribution to increasing the export capacity of their countries. By producing goods and services for export, businesswomen in developing countries are creating a better future for themselves, their employees and their communities (ITC, 2003).

Success stories of businesswomen – from different countries and across a variety of sectors – have much in common. First, they show what they are capable of achieving. Their experiences as women shape their approach to the organizations they have founded and manage. As role models, they demonstrate to other women the advantages of engaging in trade-related activities. Second, in many cases, export growth goes hand-in-hand with social commitment. As Tembeka Nkamba-Van Wyk, a handicrafts exporter employing thousands of South African women, says: “If you work with people from deprived backgrounds, you really need to see yourself not only as a businesswoman, but also as a social entrepreneur.” Third, concerns and approaches are similar. Networking is seen as a major ingredient for success and new technologies help businesswomen network more effectively and manage organizations more successfully. Building a skilled workforce is a major challenge as is access to credit, which every successful businesswoman needs to address. Fourth, trade development strategies cannot afford to ignore the informal sector in which, in many

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<sup>1</sup> This chapter has been prepared on the basis of contributions by Teresa SALAZAR and Inez WIJNGARDE, UNIDO, Vienna; Sabine MEITZEL, ITC, Geneva; Nuria CASTELLS, Reinder KUTSCH-LOJENGA, Norbert LEBALE, Vanessa MCCARTHY and Bonapas ONGUGLO, UNCTAD, Geneva.

developing countries, the more vulnerable, but potentially entrepreneurial, members of society work. They usually need specific assistance to move into the formal sectors involved with international business.

Denis Bélisle, Executive Director of the International Trade Centre (ITC) has said, “Many women exporters are not just businesswomen but very social-minded entrepreneurs as well. Through their experiences and attitudes, these women prove that a commitment to development goes hand-in-hand with their drive for export growth. It makes good development sense and good business sense to set up programmes that encourage women to build up their businesses, in particular by entering the global economy.” But to do so successfully, women exporters must become part of the mainstream economy, on a par with men. At present, many women entrepreneurs are isolated in micro-businesses. As such they do not belong to the larger networks, such as chambers of commerce, and are not invited to export workshops. Nor do they have the same access as men to export support services and export training. In their isolation, they sometimes lose confidence in their ability to “go global” and succeed.

Among other hurdles faced by women exporters are a lack of access to capital and credit. Women entrepreneurs are frequently perceived as high-risk, despite the fact that women entrepreneurs are generally risk-averse, and use financing to sustain rather than develop their businesses. Successful businesswomen also point to obstacles that they encounter simply because they are women. For example, in some countries there are laws that allow men to stop women’s activities if they are thought to disturb family life, and laws that forbid women from inheriting property. Further barriers to women entrepreneurs’ participation in international trade range from lack of business skills, to lack of knowledge of the rules governing international trade transactions and of technical regulations and standards to be respected in order to gain access to specific export markets. To make their case, women exporters need to engage in networking with government officials, national and international technical experts and others connected with the global market. And policy-makers need to be sensitized to the specific needs of women entrepreneurs (as well as of women as

workers and consumers) both at the domestic level and when participating in the design of international trade rules.

Technical assistance and capacity-building activities play an important role in addressing these problems and barriers. United Nations agencies are paying increasing attention to the integration of the gender dimension in the design and implementation of such activities. Specific programmes have been set up to provide support to women entrepreneurs. Sections 1 to 3 of this chapter review the experiences of the United Nations Industrial Development Organization (UNIDO), UNCTAD/EMPRETEC and the ITC in this area of activities. Very important is also the sensitization of policy-makers, and trade officials to the needs and concerns of women and to the potentially different impacts of policies and rules on them. In its technical assistance and capacity-building activities, UNCTAD is paying specific attention to this dimension. Section 4 summarizes its gender mainstreaming priorities.

## **1. UNIDO'S TECHNICAL AND ENTREPRENEURIAL ASSISTANCE**

Small and medium-sized enterprises (SMEs) account for up to 90 per cent of manufacturing enterprises in developing countries and employ 40–80 per cent of the manufacturing workforce. The problems of small firms are often directly related to their size: it is difficult for them to acquire technology and inputs at accessible prices and to hire workers with the necessary skills; they do not have easy access to finance and to distant and large markets; and they lack the capacity to influence government policy and expand their operations. A small number of the medium/large enterprises in developing countries have opportunities to grow, but fewer small enterprises have that potential and most micro-enterprises often face insurmountable obstacles to growth. Moreover, in many cultures the patriarchal structure (the role of the husband) severely limits the possibilities available to women entrepreneurs for business expansion.

The constraints faced by women entrepreneurs, grouped according to size of firm include:

*Medium/large enterprises*

- Lack of growth management and leadership training;
- Lack of access to flexible loans for working capital; and
- Lack of information about technologies, international linkages, trade fairs and export practices.

*Small enterprises*

- Collateral constraints limit bank financing;
- Lack of financial and management training, with focus on growth;
- Lack of exposure to business ideas/opportunities, market information/access and linkages to other SMEs.

*Micro enterprises*

- Low level of education;
- Lack of business knowledge and skills;
- Limited capital resources – group lending hinders ability to grow;
- Limited market access;
- Problems moving into the formal sector and difficulties with licensing/tax issues.

### **1.1. Assistance to micro-enterprises: Women Entrepreneurship Development Programmes**

The Women Entrepreneurship Development Programmes (WED) uses a bottom-up strategy focusing on promoting the growth of micro-enterprises run by women, through technical and entrepreneurial upgrading. The programmes aim at creating an appropriate business environment that fosters entrepreneurial dynamism and enables micro and small entrepreneurs to participate in the mainstream economy.

Each WED programme is based on a gender-sensitive needs assessment, and its design responds to the constraints and gaps identified during the diagnostic stage. As mentioned, women in micro and small enterprises face a variety of impediments when competing for scarce resources and services. These can be of a technical and entrepreneurial nature, or socio-cultural constraints such as lack of legal rights, low educational and skill levels, and limited access to financial resources.

In order to deliver specialized services to women entrepreneurs, the programme works with existing local organizations. It aims to train trainers, advisers and the managerial staff of the cooperating institutions to strengthen their technical and managerial capabilities and to assist them in the design of their financial strategies. WED programmes also develop networks of cooperating institutions.

Using a participatory training approach, the training courses for women entrepreneurs include modules on entrepreneurial awareness, management, technology and marketing skills, technology choice and the preparation of business plans. These basic training modules are complemented with modules on communication, negotiating skills and confidence building. Additional modules for technical skills development in specific subsectors have been designed for areas such as food processing, textile and wood industries, fish processing and waste management. The programme also supports national and local leaders who wish to address policy issues related to the regulatory business environment, which hinder the development of micro enterprises and the participation of women entrepreneurs. For this purpose, existing policies are analysed from the viewpoint of a micro and small enterprise and with a gender perspective, as the usual constraints on the development of micro enterprises are often exacerbated by laws and regulations that explicitly discriminate against women.

Box 1 provides an example of capacity building for small and micro enterprises managed by women in the Kenyan textile industry. These women entrepreneurs lacked technical, entrepreneurial and business know-how and the enterprises exhibited most of the gaps and needs that affect micro enterprises. This is an example of an integrated WED programme that not only addresses technical constraints through training, but also develops entrepreneurial and managerial abilities including capacity building in product diversification, marketing and trade.

**Box 1. Kenya: Women entrepreneurs for industrial growth in the textile sector**

The Women Entrepreneurs for Industrial Growth project (WEFIG, initially known as Jua Kali Women's Textile Project) began in 1991 to provide both technical and managerial training services to women entrepreneurs involved in textiles and related products. The project started operations in Nairobi, at the Kenya Textile Training Institute (KTTI), and due to its success, within 18 months an extension to the rural area was approved. In January 1993, a second site was opened at the Kimathi Institute of Technology in Nyeri. At both sites the training programme used an integral approach, which contributed to the success of the project.

Jua Kali micro enterprises lacked entrepreneurial and business know-how, particularly in price costing, cash management, marketing and business planning. Access to credit and lack of flexible finance options restricted the growth of these enterprises. They also lacked adequate access to training and to new technologies.

Through the project, significant improvements were achieved in the beneficiaries' businesses. In total about 2,240 new jobs were created. The project provided training services to 1,020 direct beneficiaries through course of six months' duration; instruction for trainers and short-term courses were given in Nairobi and Nyeri. The multiplier effect of the training led to the imparting of new skills to more than 4,000 people.

***Wage increments***

Of the 700 women who benefited from the six-month training programmes, 95 per cent (665) are in business and are earning fixed monthly salaries from their enterprises as compared to 20 per cent (140) before training. The average monthly salary earned also increased significantly.

***Accessibility to trade***

Of the women entrepreneurs trained, 90 per cent are active in the local market and 40 per cent are exporting to African, European and the United States markets.

***Access to credit***

Most of the women did not have bank accounts when they joined the project, but by the end of the project, 85 per cent opened an account with either commercial banks or post office savings banks, which is a first step to obtaining credit in the commercial sector.

***Investments***

The project enabled the women to purchase 467 new and modern sewing machines worth approximately 3.5 million Kenyan schilling. The beneficiaries increased their assets by 106 per cent.

***Product diversification and quality***

Before the training, most of the beneficiaries had a limited range of products and services. These included tailoring, repair work, the manufacture of garments primarily for children and women, and school uniforms. As a result of the project, they have introduced new and unique product lines, including soft furnishings, bedroom products, toilet sets, toys, baby items and shoes. All these are either surface finished in tie-dye, batik printing techniques or weaving. Regular quality control supports the export of these products.

***Improved management methods***

Cash-management was a problem for most of the beneficiaries before the training, but is now manageable. The same applies to business planning, marketing and sales promotions skills.

Box 2 provides an example of a WED programme in the area of food processing, for which the following activities and approaches were used:

- Industrial innovation and entrepreneurship were promoted among women's groups by combining business management with production techniques, including the transfer of technology, quality control, cleaner production and market exploration and promotion.
- Training materials were adapted to the local context and personalized training and coaching were provided.
- Training of women groups included entrepreneurial awareness, management and marketing skills, confidence building, and communication and negotiation skills.

Local institutions were encouraged to cooperate. As a result, a network of trainers in production technology, business management and marketing was established. This secured the continuity of services to women entrepreneurs after the project ended.

**Box 2. Women olive oil entrepreneurs in Morocco: Improvement of profit, quality and productivity*****Initial situation***

Groups of women entrepreneurs in Chefchaouen, Morocco, were involved in the laborious and often unsafe production of olive oil. They picked olives by hand from trees and the ground. These were then crushed with the use of a heavy millstone, often operated by hand, or if they could afford it, by a donkey or horse. The olive paste was then placed in a hole in the ground and covered with water. The water had to be carried to the location. The oil rose to the surface and was skimmed off with spoons and bottled. About 25 per cent of both oil and water was lost through seepage into the soil. Once the oil was bottled, the women waited for customers to visit their homes. The olive oil had a very high level of acidity and posed potential long-term health risks to consumers.

***Innovation***

UNIDO's WED programme promoted innovative changes. Appropriate technology was introduced with the purchase of a mechanical olive oil production unit, which was manufactured locally. Training in the use of the technology and in quality management was given together with training in entrepreneurial awareness, confidence building, management, negotiating and marketing skills. Cooperation from local institutions was promoted. In addition assistance was provided to the women's groups for the purchase of packaging materials, trademark registration, preparation of labels and promotional materials.

***Subsequent situation***

Women producers are now better equipped to harvest the olives, produce healthier oil and control its quality and its acidity. Skills in marketing have also improved. The oil produced during the training sessions was sold and the proceeds transferred to the target group, who in turn built premises to install new equipment for the processing of olives. Women can now sell their oil from kiosks in town instead of from their homes. Export promotion contacts have been established in France and in Italy with the help of the project. A strong network of local support institutions has been built up with the backing of the Ministry of Industry, Commerce and Communications, as well as a network of trainers in production technology and business management and marketing.

***Results***

A total of 192 women were taught to produce olive oil of an improved and safe quality (54 men were also trained.)

Price obtained for oil showed a 10-per-cent increase.

Productivity increased by up to 40 per cent, thanks to modernized production methods.

Two pilot groups organized themselves in associations, obtained registered trademarks and designed labels.

Five other groups joined the first associations, which grew into a federation, and the groups naturally developed into a cluster.

Kiosks at the marked place, provided by UNIDO, have helped sales increase by at least 85 per cent.

Overall earnings have doubled, thanks to improved quality, better marketing and higher productivity.

The best quality oil is being sold in Italy under the federation's own trademark "Farida".

## 1.2. The upgrading process

Enterprises also need to grow; once an enterprise has increased its size from a micro to a small firm, it is important to upgrade its production. UNIDO (2003) have described the four categories of innovation in the value chain:

- *Process innovation.* Improving the efficiency of manufacturing processes. Shorter inventory turnover, fewer rejects, more frequent, smaller and on time deliveries.
- *Product innovation.* Improving products in terms of quality and price performance and time to market or through differentiation by introducing new products faster than rivals;
- *Functional innovation.* Assuming responsibilities for new activities in the global value chain: increasing value added by changing the mix of activities conducted within the firm (e.g. taking responsibility for – or outsourcing – accounting, logistics and quality functions), or moving the focus of activities to different links in the value chain (e.g. from manufacturing to design); and
- *Inter-chain innovation.* Moving to a new and more profitable value chain (e.g. firms in Taiwan Province of China have moved from the manufacture of transistor radios to calculators, to televisions, to computers, to laptops and now to mobile phones).

UNIDO's projects focus on a combination of appropriate capacity improvement and production process and functional upgrading. Box 3 provides an example of an example of the innovation paths which have

been followed for the promotion, development and growth of a cluster where women have a significant level of participation.

### Box 3. The Boaco and Chontales cluster, Nicaragua

Boaco and Chontales, two neighbouring provinces in Nicaragua with a well-established specialisation in the production of milk and cheese, constitute one of the clusters assisted by a UNIDO project (UNIDO 2001). The milk and cheese production cluster belongs to a dynamic agro-industrial chain in which cheese production has grown by 250 per cent, from 8,270 tons in 1993 to 20,940 tons in 2002. The chain employs a total of 66,136 persons, of which 20–30 per cent are women, in various links of the chain. Female representation is greater in the processing and marketing activities than in milk production.

The innovation process began with a benchmark exercise to compare the cluster with other milk and cheese clusters located in Argentina, Chile, Colombia, Mexico and Uruguay as well as in the Netherlands. Once established, the benchmark led to the detection of bottlenecks in the different stages of the production chain of the Nicaraguan system, and the identification of solutions. Local entrepreneurs and institutions that were involved in the benchmark exercise assisted in the drafting of an action plan. This focused on improving the quality of the cheese, diversification of the types of cheese, and also on environmental and organizational aspects of production. All the links within the supply chain, as well as the key local and national institutional participants, were involved in the implementation of the plan at the local and national level.

Type of innovation	Results
Process innovation	20% increase in yields; Quality improvements through improved hygiene and production efficiency; Reduction of environmental impact through the relocation of a number of cheese producers to areas outside the urban areas.
Product innovation	<b>Product diversification:</b> Five new products to the market. <b>Quality standards:</b> Technical standards in the handling of fresh milk and in the processing of milk products were introduced into the cluster with the cooperation of the Ministry of Health, the Ministry of Agriculture and the Ministry of Industry and Trade
Functional innovation	<b>Marketing of inputs:</b> Regularization of milk supply by establishing a cooperative to rationalize and improve the supply of milk to cheese producers; Creation of a joint purchasing system for other inputs. <b>Building support institutions:</b> Establishment of a lab for milk quality assurance; Establishment of a common technical service centre for the milk/cheese cluster; Creation of the Nicaraguan Chamber of the Milk Sector (CANISLAC) in cooperation with the National Programme for Competitiveness and the Milk Federation

	of Central America (FECCALAC); Creation of a Milk-Cluster Commission; Establishment of links with large enterprises outside the cluster for distribution, sales and technology transfer.
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### **Characteristics of the cluster and female participation**

Within the Boaco and Chontales cluster, there are 10 cooperatives with a total daily production of 84,700 litres of milk, and the female participation rate of 15 per cent. Although the level of female participation in production is low, women are represented in the decision-making structures of the cooperatives, in the majority of cases as members of the Board, and in one case as president of the Board of Directors.

Female participation in processing depends on the size of the enterprises. Women enterprise owners are more frequently found in the micro and small cheese-making enterprises, where they are fully involved in processing and in the management of marketing activities (75–100 per cent in some districts in Boaco). However, in larger enterprises, where the cluster has established links with entities such as Eskimo and Prolacsa, located outside the areas of Boaco and Chontales, a larger number of female workers and technicians are found in packaging, quality assessment and in administrative support (accounting and secretarial work) which represents a frequent type of gender-based job distribution or segregation.

### **Marketing for the export market**

Within the cluster, 32 per cent of the enterprises involved in cheese exports to El Salvador and Honduras, are managed by women. The cluster is continuing to grow, with exports worth US\$4.25 million. During a recent progress evaluation, information obtained from a sample of cluster members, including six cooperatives, one enterprise and one network of 12 micro enterprises indicated the following: 12 per cent growth in sales; 17 per cent increase in employment; 12 per cent in fixed investments; and 12 per cent growth in exports.

This demonstrates that the cluster strategy, when applied to an agro-industrial chain, is a viable mechanism for the promotion of growth in agro-industries and their exports. Moreover, the cluster strategy, in its search for “collective efficiency” (Schmitz, 1995) seems to open up opportunities for female participation in different links and activities of a trade-related chain, and eases some of the more common cultural constraints on women’s participation in agro-industries. The strategy also demonstrates that micro enterprises can participate in clusters and in regional trade, thus sharing the benefits of growth and increasing trade in equal proportion to those gained by cooperatives and medium-size enterprises.

The ability to meet changing process and product standards is an important requirement for upgrading, and a necessity for producers who wish to

integrate into global value chains. Standards such as SO 9000,<sup>2</sup> ISO14000,<sup>3</sup> FSC,<sup>4</sup> HACCP<sup>5</sup> and SA 8000<sup>6</sup> require the completion of extensive documentation for compliance purposes, and individual firms normally have to bear these costs themselves (or with government support). However, local or external monitoring can be costly, especially when the auditors must travel some distance to assess the performance of a single firm. It is economically advantageous for firms to share these costs. SMEs may be reluctant to assume these costs as they tend to be unaware of the importance of standards and codes. Consequently, initial government support for these auditing activities may be a useful form of assistance. Most of auditors are women, and it would be interesting and useful to understand why women are so well represented in the field of auditing as it could help to develop guidelines, and provide a further stimulus for women's participation in these activities. Box 4 provides an example of the importance of meeting safety and quality standards.

**Box 4. Lake Victoria: capacity building in fish safety and quality for trade facilitation**

The project assisted the fisheries industry of Lake Victoria which operates in three countries, i.e. the United Republic of Tanzania, Uganda and Kenya, to overcome a ban imposed by the European Union (EU) due to the unreliability of fish safety assurance systems, related to compliance with standards of hygiene. It worked with fish factories (where most of the employees are women) in the implementation of Good Hygienic Practices (GHP), Good Manufacturing Practices (GMP) and HACCP for upgrading their inspection systems, developing services and accrediting laboratories. This resulted in the upgrading of the fish industry, permitting the lifting of the EU ban exports to resume and the industry to target new markets.

The strategy was directed towards fish safety improvement in the standard of hygiene, quality assurance, HACCP, and an export development programme. An integrated remedial approach was applied. Activities aimed at improving the organizational frameworks were carried out. The capacity of the fish inspection services (staffed entirely by women), the technical support institutions and

<sup>2</sup> A global quality standard.

<sup>3</sup> A global environmental standard.

<sup>4</sup> A wood-specific environmental standard affecting the whole value chain.

<sup>5</sup> Hazard Analysis and Critical Control Point, a standard of the food industry.

<sup>6</sup> A labour standard.

production processes – from fishing to the factory level – were all strengthened. Particular emphasis was placed on the establishment of guidelines and methodologies (e.g. fish inspection manual, codes of practice, inspection guidelines and records).

Uganda's fish exports fell dramatically from \$60 million in 1996 to \$30 million in 2000. After the removal in August 2000 of the last EU ban, and as a result of an integrated approach, exports have recovered and are reaching their 1996 value. Similarly, in the United Republic of Tanzania, fish exports that had increased from \$45 million in 1996 to \$140 million in 1998, fell to \$77 million during the ban year of 1999. After the removal of the ban, these exports reached at least the pre-ban figures.

In addition to the losses in export earnings, a third of the people (around 200,000 in all three countries) involved in various fishing activities lost their jobs, and others earned less than one third of their normal income. Fish factories had to close, although some remained open and worked at 20 per cent of their capacity. Other related industries such as the packaging, fishnet and transport industries in the area were directly affected.

Since the resumption of fish exports to the EU, revenues from exports have been increasing. Factories are operating at full capacity and factories that had closed have reopened. Staff that were laid off during the ban have returned to work. The fish industry now also has access to the United States market, resulting in higher fish exports and increased revenues.

### **1.3. The cluster approach**

“Clusters” are defined as sectorial and geographical concentrations of enterprises, that together produce and sell a range of related or complementary products, and together face common challenges and opportunities. These concentrations permit the enterprises to obtain external economies of scale from the presence of specialized suppliers and the availability of sector-specific skills. They can also encourage the development of specialized services in technical, managerial and financial matters. The cluster may sell under a collective label, and provide a collective facility for customs clearance. These industrial districts can be dynamic and can grow from SME-based clusters to large-firm districts.

Examples of UNIDO's cluster programmes can be found in Colombia, Ecuador, Nicaragua, Senegal and Zimbabwe, and they involve agro-industries, food, textile, and leather and footwear industries. Box 5 gives an example of a knitwear cluster in India, composed of more than 10,000 SMEs. This cluster faced strong competition from cheap imports from Nepal and China, and had to expand from its domestic market to reach export markets. This move required investment for the upgrading of capacities, processes, products and operations. The example demonstrates the importance of partnerships, not only among firms belonging to the same cluster, but also with local non-governmental organizations (NGOs), institutions and the government.

#### **Box 5. India: Ludhiana knitwear cluster of women entrepreneurs**

##### ***A cluster enters the export market***

The diagnostic study of the knitwear cluster comprising more than 10,000 SMEs shows how the cluster managed to cover nearly 90 per cent of the national market for woollen knitwear products. However increasing liberalization of the Indian economy and the anticipated inflows of cheaper goods from countries such as Nepal and China, were bound to trigger a crisis. Therefore the cluster had to expand from its domestic market and become more effective in the international market. This move required investment for the upgrading of production capacities, workers' skills, finishing technology and innovation.

A UNIDO cluster broker assisted several local associations to restructure and to play a more proactive role vis-à-vis their members. In addition, cooperation was strengthened amongst a group of cluster producers with a specific focus on exports. This cooperation led to the formation of the Apparel Exporters' Association of Ludhiana (APPEAL). The association identified a common agenda for action, initially including visits to foreign fairs and later covering broader issues such as skills and technology upgrading.

Conscious of the under-representation of skilled female workers within their firms, APPEAL members approached UNIDO for support. Discussions between UNIDO, APPEAL and the Department of Technical Education led to the signature of an agreement to establish a training cell within the local Government Polytechnic for Women (GPW). APPEAL provided GPW with a comprehensive syllabus and machinery for training purposes. A Japanese transnational corporation participated in the project, donating more than \$16,000 for equipment. Furthermore, UNIDO negotiated a partnership with a local NGO, to train young women from a poor area. With this broad local partnership, the training programme received financial

support from the Indian Department of Science and Technology. The first training programme for 20 trainees began in 1999 and in 2000 seven group-training sessions were carried out that trained more than 110 women. Of these, 80 per cent found immediate employment in the cluster. Owing to the commitment of the cluster stakeholders, local institutions and the private sector shared the costs related to all cluster activities. UNIDO funded only 20 per cent of the cost of the technical assistance.

#### **1.4. Lessons learned**

- Gender-related capacity building yields positive results for growth and entrepreneurial development, both when specifically designed for groups of women entrepreneurs (WED Programmes) and when the upgrading of enterprises managed by women is integrated within cluster development projects and/or in regional and national programmes that aim at improving the capacity of enterprises to participate in global trade. WED programmes may be the first option to upgrade female entrepreneurs to the levels required to join networks and clusters that are actively engaged in trade.
- The cluster strategy of improving collective efficiency increases the opportunities for improving female participation in different links of the chain, and for reducing some of the culture-related constraints most frequently found in micro and small enterprises.
- Integrated programmes with a quality component, designed to improve the capacity of enterprises managed by women to participate in global trade, should include training in managerial skills, entrepreneurship and business development with an emphasis on market facilitation and credit access for upgrading their production facilities.
- UNIDO's experience demonstrates the importance of education and skills upgrading, together with gender-sensitive policy-making, as key elements for empowering women entrepreneurs and workers to upgrade and increase their participation in regional and global trade.

## **2. UNCTAD/EMPRETEC APPROACH TO EMPOWERING WOMEN ENTREPRENEURS**

### **2.1. What is the EMPRETEC Programme?**

UNCTAD's Entrepreneurship Development Programme, otherwise known as EMPRETEC, is an integrated entrepreneurship and innovation capacity-building programme aimed at promoting the creation of a national institutional framework (Empretec National Centres) to help promising entrepreneurs build innovative and internationally competitive SMEs. It thereby seeks to contribute towards the development of a dynamic private sector. The programme identifies promising entrepreneurs, provides them with training aimed at developing their entrepreneurial behaviours and business skills and assists them in the preparation of business plans and in financing their business ventures. It also helps to arrange mutually beneficial connections with larger national companies and foreign affiliates, and makes available long-term support systems to facilitate the growth and internationalization of their ventures. Within the EMPRETEC Programme UNCTAD has developed a tailor-made approach for targeting women entrepreneurs and has designed training modules aimed at addressing their specific needs.

Since its inception in 1988, the programme has become operational in Argentina, Brazil, Chile, Colombia, El Salvador, Ethiopia, Ghana, Morocco, Mozambique, Nigeria, Panama, Uruguay, Venezuela and Zimbabwe. It has assisted more than 20,000 entrepreneurs through 30 market-driven local Empretec National Centres. New projects are being initiated in Bolivia, Guatemala, Jordan, the Palestinian Territories, Paraguay, Peru and Uganda. Other projects, in Africa, including in Botswana, Mauritius and Namibia, are undertaken within the framework of Enterprise Africa, launched in 1997, which is a regional initiative of the United Nations Development Programme's (UNDP) Africa Bureau.

EMPRETEC creates a base of *empretecos*,<sup>7</sup> entrepreneurs who speak a common language and interact and network with fellow *empretecos*, nationally, regionally and internationally. The programme facilitates the formation of associations of *empretecos* that constitute a strong lobby group for the SME sector to lobby the government and private sector stakeholders at all levels.

Each national programme has the following functions:

- Identifies promising entrepreneurs;
- Conducts training aimed at developing entrepreneurial traits and business skills;
- Provides state-of-the-art follow-up advisory services to enhance productivity, competitiveness and modern business practices;
- Encourages the exchange of experiences and networking among programme participants locally and internationally;
- Helps to arrange mutually beneficial partnerships with national and foreign companies.

EMPRETEC targets beneficiaries from among:

- Micro, small and medium enterprises;
- Agribusiness entrepreneurs aspiring to professionalize their enterprise and take advantage of the internationalization of markets;
- Public sector institutions undergoing reform; and
- Universities and training centres looking for employment opportunities for their graduates.

Women constitute 35–40 per cent of the direct beneficiaries of EMPRETEC.

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<sup>7</sup> *Empretecos* are graduates from the entrepreneurship training workshops. Upon graduation they become part of the international EMPRETEC network and interact with each other through National EMPRETEC Associations and Regional and Global Fairs.

UNCTAD's own research and the experience of EMPRETEC Centres has shown that due to various cultural, social and legal barriers, women entrepreneurs are often more challenged than their male counterparts to grow and develop their enterprises. Women entrepreneurs often face more barriers to accessing business development services, because the design and structure of such services do not adequately take into account their needs and local realities. Most women have, for instance, significant family obligations that place extra demands on their time and income, and these are seldom taken into consideration in the design of business development services (UNCTAD, 2000; 2001).

However, evidence shows that where major obstacles have been overcome, usually with outside assistance, women enterprises have grown and performed successfully. In 1999, UNCTAD's EMPRETEC Programme launched a number of initiatives to address women entrepreneurs' specific needs in order to increase the number of women beneficiaries availing of its services, particularly the EMPRETEC training workshops and follow-up business development services.

With the support of the Inter-American Development Bank, a gender component was included in the EMPRETEC Programmes in El Salvador, Guatemala and Panama. In this connection, a gender expert analysed the content of the EMPRETEC methodology from a gender-sensitive perspective in order to provide suggestions to promote and increase female participation in the EMPRETEC training workshops, and also to sensitize staff on these issues. Based on the expert's recommendations, a three-day workshop for women entrepreneurs was designed based on the original EMPRETEC methodology.

Building on the experiences gathered, in 2002 UNCTAD launched a project entitled Strengthening Women Entrepreneurship in Selected African Least Developed Countries (Ethiopia and Uganda). The project, funded by the German Government, aimed at enhancing women's enterprises through the development of special training and business services. It also aimed to devise creative solutions to overcome the main barriers facing women entrepreneurs in the SME sector. Furthermore, it sensitized the staff,

trainers and business counsellors of EMPRETEC Centres to gender-related issues. Special outreach campaigns and specific training modules were designed in order to attract and increase the number of women accessing these services.

## **2.2. Main objectives of the EMPRETEC Programme for empowering women entrepreneurs**

With respect to women entrepreneurs, the main objective of the EMPRETEC Programme is to build the business skills and capacity of women entrepreneurs so that they in turn can develop and expand their enterprises. It focuses on the following three main areas:

- Building gender-awareness and gender-sensitivity among EMPRETEC staff, trainers and business counsellors;
- Reducing barriers and improving the accessibility to training and business development services offered by EMPRETEC centres for women entrepreneurs; and
- Providing training and follow-up support to women entrepreneurs in order to enhance growth and development of their enterprises.

### *2.2.1. Creating awareness*

Although the staff of the EMPRETEC Centres is specialized in the area of providing business development services to SMEs, a sensitization session was considered an important learning tool to enhance their awareness of the major constraints facing women entrepreneurs, in addition to the constraints SMEs face regardless of gender.

The sensitization session covered the following key topics:

- Situation analysis of women entrepreneurs in each country. This is an analysis of the vertical mobility of women entrepreneurs, in the sense of graduating from micro to small, medium or large-scale operations, and examining the causes;
- Major barriers and constraints faced by women entrepreneurs; and

- The experiences of successful women entrepreneurs who can be used as role models to motivate and develop confidence among other women.

### 2.2.2. *Targeting women entrepreneurs*

The outreach campaign's aims are to: (i) reach potential clients; (ii) gain the involvement of relevant stakeholders; and (iii) enhance public awareness about the difficulties faced by women entrepreneurs. In order to reach women entrepreneurs, a number of outreach tools were considered. In many cases, traditional mass media (e.g. television, radio, newspapers and advertisements) were deemed effective, but it was found that an even more effective way to reach these women was when the Centres presented their services to relevant women's association meetings, trade fairs and popularization forums, and at other gatherings attended by a large number of women entrepreneurs. These outreach campaigns resulted in many more women participating in EMPRETEC training and using its services. Also, gaining the involvement of relevant stakeholders, such as women entrepreneurs' associations, EMPRETEC associations, chambers of commerce and other networks of businesswomen, enhanced the outreach of the programme. These stakeholders brought valuable experience and provided ongoing support throughout the programme. By involving such associations, the Centre was able to reach a larger audience of women entrepreneurs.

### 2.2.3. *Training modules for women entrepreneurs*

In order to focus on the specific and more gender-sensitive needs of women entrepreneurs, existing training modules were adapted and new modules developed for use in the two women entrepreneur projects (in Africa and Latin America). The review of the EMPRETEC training workshop by the EMPRETEC Centres in Central America (El Salvador, Guatemala and Panama), revealed that among the major impediments to women entrepreneurs in participating in the workshop were the intensive scheduling and lengthy duration (10 days). In response, it was decided to design workshops for women based on the traditional EMPRETEC formula, but which involved significantly reducing the duration and a

revised curriculum that focuses primarily on concepts of more relevance to women entrepreneurs. As a result, these workshops last three days and include exercises addressing and focusing primarily on the main obstacles encountered by women such as lack of access to credit and lack of self-confidence.

In addition, business training modules have been developed and adapted to address the specific needs of women entrepreneurs as a follow-up service to the EMPRETEC training workshops. The courses developed and tested by Enterprise Ethiopia and Enterprise Uganda include:

- Financial Management
- Marketing Management
- Time Management
- Business Planning
- Self-Presentation and Style
- Costing and Pricing
- Customer Care
- Effective Delegation
- Writing Business Reports
- Making Public Presentations
- Negotiation Skills

## **2.3. An initial assessment of experiences**

### *2.3.1. General impact of the Women Entrepreneurs Programme*

Feedback from the EMPRETEC staff involved in the projects has been positive with regard to the sensitization session and has confirmed that it did significantly enhance their awareness about the problems faced by women entrepreneurs. Currently, each Centre has a systematic approach to incorporating gender issues in all training and post-training services.

Within the framework of the two projects, the majority of women participants enrolled in the training as a result of targeted promotional activities, rather than in response to the traditional advertising campaign.

Feedback showed that mass media advertisements created an initial curiosity among the women entrepreneurs, but was far more effective if followed up with a personal approach and detailed information in order to convince them of the value and benefits of participating in the business development services available. The specific promotional campaigns developed to target women entrepreneurs not only allowed the Centres to increase women's participation in the workshops, but they also highlighted to larger audience the contribution women make towards the social and economic development of their country.

The special training modules provided women participants with knowledge about business professionalism and competences required to manage enterprises successfully. They prompted many of them to reflect on the business practices they use and to appreciate the nature and value of business development services. Overall, the reaction of the women participants has been very positive.

### 2.3.2. *Experiences in Africa*

Some of the specific achievements of the African Centres are as follows:

- The feedback from the directors and staff has been very positive (see statement below from Enterprise Uganda);
- The number of women entrepreneurs participating in business development training and services increased by 45–56 per cent;
- Eleven new business development courses were developed and to date training has been provided to a total of 250 beneficiaries; and
- About 95 women entrepreneurs received business counselling, with follow-up services and activities continuing.

The following statement has been provided by the EMPRETEC Director of Enterprise Uganda on the achievements of the Women Entrepreneurs Project:

“The Women Entrepreneur Programme, which was jointly piloted by Enterprise Uganda and Enterprise Ethiopia in 2002-2003, has been one of

the most effective tools in boosting women participation in business, through affirmative action. It contributed immensely to increased access of women entrepreneurs to Enterprise Uganda's services. The success of the program is attributed to the tailor-made package of services/activities aimed at responding to identified women challenges. The package included provision of entrepreneurial skills, special management courses and business counselling services. The impact of this project is further demonstrated by the personal testimonies from the women entrepreneurs who benefited from the program.

Not only did women entrepreneurs benefit from this programme, Enterprise Uganda staff benefited too. We are now in a better position to deal with women owned businesses because we understand the main impediments to growth of such enterprises. We have also designed and developed special training courses to cater for women needs and the enthusiasm with which these courses have been received shows that where initiatives that focus especially on assisting women-owned/managed enterprises exist, women do take advantage of them and these can help women owned businesses grow and become competitive. It is important however to note that such initiatives must be facilitated with enough resources in order to reduce the cost of access to business development services to women.”

### 2.3.3. *Experiences in Latin America*

The major achievements of the Women Entrepreneur Programmes in El Salvador, Guatemala and Panama are the following:

- The Centres were able to increase the participation of women attending the workshop by 40–56 percent;
- Entrepreneurship training was provided to about 1,200 women entrepreneurs;
- EMPRETEC Trainers in Central America report that the entrepreneurial workshop has had a significant impact on the women participants because of their specific circumstances:
  - (i) The majority of woman entrepreneurs run smaller businesses and are therefore responsible for all parts of the business operation. Consequently, the learning experience gained from the various models of the EMPRETEC courses are immediately implemented in their business activities.

- (ii) It was found that many women lack the self-confidence to set up their own businesses. The entrepreneurial workshop, which focuses particularly on motivation, had a strong impact on their confidence and self-esteem enabling them to overcome obstacles.

UNCTAD/EMPRETEC has been exploring the possibility to offer similar expertise to other EMPRETEC Centres and build in a standard component on women-entrepreneur-related issues in future EMPRETEC Programmes.

### **3. ITC'S SUPPORT FOR WOMEN EXPORTERS**

The ITC is committed to integrating women and gender issues into its trade-related technical assistance for the business sectors of developing and transition economies, particularly in its assistance for SMEs. ITC's strategy points out concrete actions to strengthen the gender perspective in all areas of its work, including: integration into the multilateral trading system; trade development strategies; trade support services; sectoral export performance; and SME competitiveness.

#### **Box 6. ITC's strategy to support the gender perspective in international trade development**

***Actions include:***

Facilitating women's knowledge of and expertise in addressing business challenges related to changes in the multilateral trading system by including women in networks of experts. Inform women entrepreneurs about potential benefits arising from the regulations and existing practices and tools to overcome difficulties.

Creating awareness of gender issues and constraints in international trade among all stakeholders. Include representatives of women entrepreneurs' and producers' groups in the process of designing trade development strategies.

Advising national trade support institutions on how to include the gender dimension in their activities. Strengthen women entrepreneurs' associations and provide them with linkages to existing trade support institutions.

Improving sectoral trade performance by focusing projects on sectors with a concentration of women entrepreneurs/managers or micro-producers/producer groups, such as textiles and clothing, agriculture or the informal sector. Support new trade opportunities of particular interest to women entrepreneurs in the area of services.

Designing training tools and learning systems to build the competitiveness of women-run enterprises taking into consideration the specific needs of and constraints on women. Collect gender-specific information at the enterprise level during the implementation process, and develop benchmarking tools.

*Source:* ITC, 2001.

ITC assists in developing national, sectoral and enterprise-level strategies for enhancing competitiveness and developing exports, taking into consideration the evolving trading system. This is mainly accomplished through building supply capacity, identifying market opportunities, strengthening existing institutional, technical and entrepreneurial potential, creating an understanding of international commercial practices and opportunities, and working in close partnership with a variety of institutions that help firms become more competitive in international markets. These institutions include national trade promotion organizations, chambers of commerce, universities, consultancy firms, as well as specialized institutions in the areas of trade information, packaging, quality management, standards, trade finance, legal aspects of international trade, purchasing, supply management and human resource development for international trade.

To integrate women in the global economy, ITC focuses on programme areas with the greatest potential for women entrepreneurs, such as export of services, export-led poverty reduction and training in better use of ICT and networking tools. There is a growing focus on export sectors that have a high concentration of women workers, such as textiles and artisanal products. A regional approach is also being developed and pilot-tested by ITC, as part of a programme for building African capacity for trade.

To enable the greater participation of women in international trade, ITC's experiences suggest the following starting points:

- *Finance.* Move beyond micro-credit. Investigate how to prepare women for financing, and how financial institutions can understand and capitalize on this growing market. Explore venture capital opportunities.
- *Training.* Business management training, skills for trade service providers and mentoring programmes are the most frequently recommended by women active in international trade. Training in standards, export development, international marketing and networking also rate highly. Promote businesswomen's participation in training seminars for international trade.
- *Information.* Provide access to business intelligence and trade support services. Conduct needs assessments of women-owned export businesses.
- *Networking.* Develop linkages with public and private sector trade support agencies at all levels. Include women in trade missions. Encourage women to join mainstream associations such as chambers of commerce. Conduct membership drives for professional associations. Link with associations in other countries that help businesswomen build referral networks. Use the Internet to create virtual networks that highlight best practices for women entrepreneurs. Organize events for women-owned firms to meet locally based purchasers in embassies, international organizations and multinationals. Develop databases of women entrepreneurs.
- *Visibility.* Document success stories and publicize them. Use existing television programmes, radio broadcasts or newspaper columns that focus on trade to feature successful women exporters. Encourage role models to visit schools, conferences and trade fairs regularly. Develop credible awards programmes.
- *Technology.* Use technology for international business development and to reach out to rural areas. Pool resources to share access to such technology.
- *Social support.* Evaluate gender-specific needs for support – from health clinics to maternity leave and childcare.

The following areas have a high percentage of women and should therefore be the focus for support:

- *Services:* Women open businesses predominantly in the services sector.
- *Informal sector:* Target programmes to help women in the informal economy become formal exporters.
- *Textiles and clothing, food processing and handicrafts.*

Particular attention has been devoted to women service exporters. While businesswomen have the potential to supply services across borders, many businesses owned by women in developing countries are not exporting. Often, they do not take advantage of the opportunities open to them because they lack the confidence or exporting knowledge – problems that can be overcome by providing them with training in the skills they need to export their services successfully. Several tools have been developed to give would-be exporters the knowledge and training they need to export successfully.

However, much of the existing exporting and marketing literature focuses on goods. With this in mind, ITC developed a series of training modules dealing with the basic skills needed for exporting services. Aimed at associations, these are designed to train trainers, who can adapt them to the specific needs of women service exporters. The modules include handouts, practical exercises and presentations to help the trainers in their work, and can be ordered by associations and training institutions. Together, these modules make up a comprehensive and instructive guide for entrepreneurs seeking to enter the export market.

ITC also offers a one-day training programme for women entrepreneurs in the service sector. Entitled Gender in Trade, the programme covers export preparedness, enterprise development, linkages and networking within the mainstream business community, roles for women entrepreneurs in “gender in trade”, creative leadership, and building economic empowerment.

**Box 7. Promotion of service exports by women entrepreneurs in Africa**

Business services represent the fastest growing component of international trade. Workshops in Mauritius, Mozambique and Nigeria took place in 2003 as part of ITC's work to promote gender in trade development and increase exports of services from developing countries. The workshops were aimed at women entrepreneurs offering business services such as information technology, legal, accounting, translation and design services. In Nigeria, the initiative was launched by the First Lady, Chief (Mrs.) Stella Obasanjo.

Over 150 entrepreneurs attended the sessions, which offered practical tips on topics such as international partnering, relationship marketing and effective networking techniques. Several strategies were also suggested to engage women entrepreneurs in the mainstream business community. On average, less than 5 per cent of the participants in ITC's previous workshops on service exports have been women, yet women own most of the firms exporting services worldwide. However, such firms are often very small (less than five employees). In addition, it is estimated that over 75 per cent of women-owned businesses are in the service sector.

Numerous areas of services were represented at the workshops, which led to the initiation of several preliminary partnership discussions among the participants. In an effort to continue these well-received workshops in regional locations of countries, ITC's Trade in Services Unit provided training modules to various trade support institutions such as services industry associations and women entrepreneurs' associations.

**4. GENDER MAINSTREAMING IN UNCTAD TECHNICAL ASSISTANCE PROGRAMMES ON TRADE AND DEVELOPMENT**

In line with the general trend of gender mainstreaming, particularly within United Nations agencies, UNCTAD is paying increasing attention to integrating a gender dimension in its technical assistance activities in the area of trade and development. While its technical assistance programmes have been designed to address the needs and concerns of beneficiary countries in line with UNCTAD's mandate, it is felt that these programmes should pay close attention to the impact of trade policies on women. Women should become fully involved in trade-related policy- and rule-making.

UNCTAD's technical assistance and capacity building work is integrated with its analytical work and intergovernmental deliberations. Lessons learnt and experiences from operational activities are used to enrich policy analysis and inter-governmental debate. The conclusions from these analyses and debates are used to improve the operational activities. The Plan of Action adopted at the Tenth session of UNCTAD X in Bangkok set the main objective of UNCTAD in terms of its engagement in the area of international trade: to assist developing countries to integrate more fully into, and derive benefits from, the international trading system. In this context, "policies and programmes need to integrate a gender perspective in order to contribute to the empowerment of women and to achieve equality between women and men in all sectors of the economy. Social policies, especially education, including girls' education as well as health policy and social safety nets, yield a high return of growth" (UNCTAD, 2000a: paragraph 8).

Effective participation in this multilateral system depends on developing countries' ability to: (a) identify and exploit trading opportunities, including through the development of their supply capacity, and to take advantage of the special and differential treatment provisions; (b) effectively defend their trading rights; (c) fully implement their trade obligations and execute their development policies within the framework of these obligations; and (d) define and pursue their trade and development interests in trade negotiations, taking into consideration all adjustment costs.

Most developing countries are not well equipped – either in terms of institutions or in human and financial resources – to take full advantage of the rights and benefits that integration can bring. Moreover, the specific needs of women as entrepreneurs, workers and consumers are often not specifically addressed. Three main needs have been identified for technical assistance and capacity building:

- (i) The need for immediate support to enhance the capacity to negotiate in the Doha Round of WTO talks and to formulate national or regional positions;

- (ii) The need for deepening their understanding of the various issues and implications of trade liberalization so that developing countries' interests are fully taken into account;
- (iii) The need to integrate the various negotiating processes into overall trade and development policies.

UNCTAD carries out an intensive assistance programme to respond to the challenges identified above. The work programme adopted by the Fourth WTO Ministerial Conference in Doha in November 2001, along with the various regional negotiations, have increased the demands from developing countries, LDCs and economies in transition for training and capacity building. There has also been a significant increase in requests for capacity building from non-governmental entities of developing countries such as academic institutions, professional associations and chambers of commerce interested in trade and development policies and in the implications of the Doha mandates.

UNCTAD's technical assistance and capacity building is broad. It includes:

- *Commercial diplomacy activities*, focusing on training and capacity building on the specific Doha mandates, as well as on the broader multilateral and regional trade agendas. Training is based on the preparation of "model" training courses and other training materials and their utilization with different target groups, such as trade officials, local trainers and business groups.
- *Assistance to countries acceding to WTO*, by providing advice on trade policy formulation related to accession negotiations and on the adaptation of existing and new trade-related legislation to WTO disciplines, as well as strengthening the capacities of trade-supporting national institutions (including the private sector and the academic community) through training and joint analysis of the relevant problem areas.
- Assistance in the areas of *market access, trade laws and preferences*, to increase developing countries' utilization of the trading opportunities and preferences under preferential arrangements and regional integration schemes as well as to deepen

their understanding of the trade laws and regulations governing market-access conditions.

- *Capacity building for commodity-dependent developing and least-developed countries*, to promote horizontal, vertical and geographical diversification strategies of their production and trade structures and to increase the effectiveness of local institutions and civil society in ensuring that the disadvantaged segments of the population are involved in the diversification process, with a view to reducing poverty, increasing national and regional food security and self-sufficiency, and regional trade.
- Assistance in *commodity risk-management*, through the adoption of modern financial and marketing tools to enhance the efficiency of their commodity production and trade.
- Provision of *market information* in the commodities area, to increase developing countries' competitiveness and negotiating power, and to improve the capacities of developing country enterprises to access and use information, particularly in electronic form, in order to improve their participation in world commodity markets.
- Assistance to interested countries in developing and implementing national regulatory and institutional frameworks in the areas of *competition law and policy, and consumer protection*, and in evaluating the development implications of closer multilateral cooperation in the area of competition.
- Assistance in the areas of *trade, environment and development*, ranging from examination of the impact of environmental requirements on developing countries' market access, to preparing for negotiations on environmental issues.
- UNCTAD's BIOTRADE Initiative aims to enhance the capability of developing countries to produce value-added products and services derived from biodiversity, for both domestic and international markets. In close collaboration with national and regional partners, it has assisted countries in the Andean and Amazonian regions to implement Biotrade programmes and policies.

**Box 8. Mainstreaming gender in JITAP**

Following a four-year pilot phase that ended in December 2002, a second phase was launched of the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries (JITAP), implemented jointly by ITC, UNCTAD and WTO, with the support of interested international donors. The second phase started in February 2003 for a duration of four years for 16 African countries: the eight beneficiaries of the pilot phase (Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Tunisia, Uganda and the United Republic of Tanzania), which will exit from the programme mid-way in its implementation, and eight new countries (Botswana, Cameroon, Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia). JITAP aims at building human, institutional, policy and export strategy capacities in African countries to enable them to better understand, negotiate and implement trade agreements and trade policies, to take advantage of business opportunities, and to effectively manage their integration into the multilateral trading system and wider international economy.

In the conceptualization of the second phase of JITAP by the three executing agencies, donor and beneficiary countries, a key priority that emerged was the need for more effective and wider participation by women and women's groups in the trade and trade-related capacity building activities. This was based on the recognition that women can play an important role in trade policy, negotiations and export development in African countries, given their daily involvement in the practical aspects of trade, which also means they are likely to be more strongly affected by the results of trade and trade negotiations. Thus gender issues were fully integrated, as a critical element, into the programme strategy for JITAP II. The integration will be effective at three levels. First, the programme will work with countries to encourage increased participation of women – as individuals, and as organized constituencies – in all the programme's institutions and activities. Second, in the identification of priority sectors for which export strategies are to be developed, particular efforts will be made to include sectors that favour products in the production and export of which women play an important role. Third, the national studies focusing on the impact of the multilateral trading system on the countries will include an assessment of the impact on women.

Since the commencement of the second phase, activities under the programme have started to implement the mandate on the mainstreaming of gender in JITAP. In the generic activities for all JITAP countries organized by the three executing agencies, it is a specific requirement that women and women's organizations be adequately represented among the country's participants. In each of the 16 country programme documents (under preparation), equal opportunities for gender are being emphasized, with a special focus on gender issues in the main areas of

JITAP's capacity building activities. For example, UNCTAD has developed a toolkit for trade negotiations and policy formulation in which it highlights the need to give special consideration to the active involvement of women and women's organizations. The training materials developed by the three agencies will include a brochure about the multilateral trading system specially prepared for women trainers and professionals. This brochure will be integrated into all the training packages developed. A regional workshop for women trainers and professionals is planned for 2005. Mainstreaming gender in JITAP will be a priority of the three agencies executing the programme and at the country level.

### *UNCTAD's gender mainstreaming priorities*

The overall objective of UNCTAD capacity building and technical assistance activities is to help developing countries and LDCs to better integrate into the multilateral trading system and fully benefit from the opportunities offered by trade liberalization. Such a goal must necessarily take into account the role of women and the reduction of the gender gap to ensure that the development gains derived from trade are fairly distributed. Equal participation of women and men is required in order to build a balanced, equitable and sustainable basis for growth and development.

In carrying out its capacity building and technical cooperation activities, UNCTAD is determined to mainstream gender considerations, particularly in the areas of:

- Sensitizing policy-makers on the gender dimension of trade liberalization so that capacity building and technical cooperation, especially in commercial diplomacy and JITAP activities, address the positive development gains to be derived from the increased participation of women in trade activities, including the formulation of trade policies.
- Strengthening the interface between trade liberalization, poverty reduction and sustainable development by taking into account the gender dimension, especially in activities relating to commodities, agriculture, textiles and environment.
- Capacity building aimed at the diversification of economic activities and the facilitation of access to foreign markets, with a view to

enhancing opportunities for women. Some of the main activities in this regard include service activities provided through outsourcing and movement of natural persons, tourism, health services, organic products and horticulture.

- Increasing the integration of women in economic activities, and disseminating information on the positive impact of women's participation in the economy and of the asset they represent for developing countries, so as to raise their profile in policy-making.

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