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A GENDER PRIMER
OF TRADE &
INVESTMENT
POLICIES



International Gender and Trade Network

By Pamela Sparr

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Introduction

As countries become more dependent on global commerce, the pressure increases on governments to skillfully influence the flow of goods, services and investment capital crossing their borders. If managed wisely, trade and investment flows may create employment and new business opportunities, strengthening the domestic economy.

Policy makers have many tools to try and shape these flows. Whether, how and when they choose to use these tools can be a highly political decision. For example, the US and Japanese governments have had famous battles over opening their markets to key exports like cars, steel and rice because of the political symbolism and constituencies related to these sectors. Chile went through a tremendous political upheaval as a result of its president deciding to nationalize industries dominated by foreign investors.

International, regional and bilateral trade and investment agreements such as the North American Free Trade Agreement (NAFTA), the Cotonou accord (covering Africa, the Caribbean and Europe), as well as those administered by Asian Pacific Economic Cooperation (APEC), the European Union (EU), and the World Trade Organization (WTO), can limit a government's authority to intervene in trade and investment matters. Governments' decisions to renounce or curb their authority to use certain policies often are controversial. In essence, it means that governments are giving up a certain amount of political and economic autonomy and flexibility to influence future economic growth and determine the course of their country's development. Politicians must weigh the balance between the negative consequences and the opportunities that may come from greater economic coordination and cooperation.

As citizens, we need to ask whether the parties entering into trade and investment agreements have equal negotiating clout and whose interests are served when policies change. Often the political and economic balance of power between nations entering into such agreements is uneven. There are many examples of economic threats made by transnational corporations, other governments or institutions like the World Bank and International Monetary Fund that force a government's hand to change a trade or investment policy.

Traditionally, most economists have not given much thought to the social consequences of trade and investment policies. These concerns are assumed to be outside the scope of standard economic theory. Politicians typically have been more aware of some of the socio-economic consequences – such as what will happen if food imports rise and displace local producers or if certain elite families are granted marketing control of key exports. Until recently, not much attention has been given to the gendered impact of trade and investment policies. There is one glaring exception to this gender blindness. Over the past three decades, many governments adopted the strategy of promoting their cheap female labor force to attract foreign investors. This was a way to grow their manufacturing sector and expand exports.

There are several reasons to pay attention to the gendered consequences of trade and investment policies. Let us look at it from two perspectives: the impact of policies on women and men, and people's impact on the policies. First, economic, anthropological and sociological research has documented that in many cases, males and females respond to economic opportunities and incentives differently. We need to pay attention to these different responses in order to craft

good policy. Failure to do so may result in failed policies and/or unintended negative social and economic consequences. Second, we need to pay attention to differences in the impact of trade and investment policies in order to fully address gender-based inequalities and women's poverty. We are beginning to see how certain trade and investment policies are based on the differential exploitation of women's time, energy, sexuality, health, and labor power.

Below are some of the major policy levers a government can use to shape the amounts and type of international trade and foreign investment crossing its borders and some examples of how their use affects women and men differently:

TARIFFS

Definition: Tariffs are taxes imposed on imports. The tax is paid to the government. This is also sometimes called a "duty".

Purpose: Tariffs have several uses. First, they serve as a source of revenue for a national government. This revenue may finance important parts of the national budget depending on how significant it is. Secondly, tariffs can be used to encourage or discourage certain types of imports depending on how high they are set.

Governments may want to discourage imports for a number of reasons. A country may want to develop its own capacity in a certain economic sector – like its own computer manufacturers or its own rice growers. Generally, importers pass along the cost of tariffs to customers. So, by setting import taxes high, the price of imported products will likely rise, giving a price advantage to local producers. This is one way the government can try to boost local development and self-sufficiency. (This is often called "protectionism" in common usage – governments are "protecting" domestic businesses to a certain degree from foreign competition.)

Another reason a government may set tariffs high on certain products is that it wants to discourage consumption of certain items. This can be for the common good such as for health, safety and environmental purposes (e.g. high tariff on imported cigarettes in a country which cannot produce its own, or on gas-guzzling types of imported automobiles). It can also be a measure to conserve the nation's precious reserve of foreign currency. An example of this is when a country places higher tariffs on luxury consumer items and lower tariffs on capital goods and basic necessities in order to make sure there is sufficient foreign currency available to import what is most necessary for the country's immediate needs.

Gender example: Several years ago, the Senegalese government lowered tariffs on food imports as part of a trade liberalization program. It just so happened that some Senegalese women had taken out micro-credit loans to start a tomato paste business. They had switched from growing subsistence crops to exclusively growing tomatoes. When the tariffs dropped, cheap foreign tomatoes flooded the Senegalese market. The women could not compete. As a result, they could not pay back their micro-credit loans and they did not have their traditional food supply to feed their families. They ended up in worse economic shape than they had started. This example gathered by the Women's Eyes on the Bank campaign illustrates the need for cross-coordination of policies. In this case, the strategy to promote women's empowerment through micro-

enterprise loans did not take into account the larger macroeconomic policies at play. Women were encouraged to go into a business, unaware of the need and ill-equipped to compete internationally.

QUOTAS

Definition: Quotas are numerical limits on the amount of a product or service that is traded. Normally, these limits apply to imports and are usually enforced by issuing licenses to a limited number of individuals or firms interested in importing the item.

Purpose: Quotas on imports are used in a similar fashion as tariffs: to limit imports. They can be imposed when the pricing of a product, even with high tariffs, might not be sufficient to regulate the flow of the import – such as with textiles and clothing. Imposing quotas may raise the local price for the imported product because it curtails the supply. There is one major difference between quotas and tariffs: quotas do not produce revenue for the government.

There are at least three reasons why a country might want to put numerical limits on exports. First, a country may want to retain a certain amount of product for domestic use. An example of this is in the area of national security -- with weapons and other kinds of military equipment. In this case, governments may impose outright bans on the export of sensitive equipment and require special licenses for the exportation of other types goods to certain countries. Sometimes countries place numerical limits on their exports because of political pressures from trading partners who do not want their markets swamped. In this case, the quotas may be called “voluntary export restraints” (VERs). Finally, countries may adopt an export quota to help stabilize the price of a commodity. This is what OPEC (Organization of Petroleum Exporting Countries) does in order to ensure higher and more stable prices in the world petroleum market, and greater revenues for its members.

Gender example: The textile and clothing industry has been one of the most heavily constrained internationally with very detailed quotas for each product and country regulated by the Multi-Fiber Arrangement (MFA). For example, the arrangement would specify how many bras Haitian producers could sell in Canada and how many cotton women’s blouses made in Bangladesh could be sold in France. The MFA is slowly being phased-out under the WTO, with the deadline being 2005. How the phase-out happens has tremendous ramifications for women around the world because of the high concentration of women employed in this sector. Textile and garment quotas are the source of much tension between governments of the global South and North. Many Southern nations feel that Northern nations are phasing out quotas too slowly in order to protect their industries, to the detriment of Southern economies.

SUBSIDIES

Definition: Various kinds of financial incentives given to producers which help with the cost of production of a good or service. This can apply to exporters or to foreign investors who produce for the domestic market.

Purpose: Subsidies act as an incentive to help create supply for certain products or services that the government deems of national interest. Subsidies are one way governments can help grow a certain sector of the economy. If producers/providers pass the lowered costs of production onto consumers by lowering prices, subsidies can act as a way of helping lower-income people purchase the particular good or service.

Gendered example: A recent evaluation of trade policies in Africa found that regional economic cooperation may be a mixed bag for women. In interviews, Kenyan women identified a recent problem as a result of the South African government's decision to promote exports by giving subsidies to foodstuff producers. As a result, South African egg production has increased, flooding the Kenyan market. Because production costs are lowered in South Africa, they can be sold more cheaply. This is good news for Kenyan housewives in cities and towns where these cheaper eggs are sold because it lowers their food costs. This is not good news for rural Kenyan women who have traditionally raised poultry and sold eggs to these markets as a much-needed source of income. Now, they cannot compete with the price of South African eggs.

EXCHANGE RATES

Definition: Every nation's currency has a price in relation to other nations' currencies. This is its exchange rate. When it takes more of the local currency to buy another currency, the exchange rate has depreciated. When the rate rises, it appreciates.

Purpose: A government can manipulate its exchange rate in a few ways in order to send signals about the types and quantity of trade and investment it wants.

First, a government can decide how many exchange rates it has. Most countries today only have one official exchange rate. This is known as a unified exchange rate. However, a government can set differential rates to encourage and discourage certain types of commerce. For example, a country might give a lower exchange rate for basic pharmaceutical imports to make them more affordable or set a less favorable rate for certain kinds of financial remittances to encourage foreign investors to keep money in the country.

Secondly, a government decides how the value of its currency will be determined. There are three basic ways a government can do this, with variations. A government can choose to allow the price of its currency to float up and down freely, as demand for the currency rises and falls daily in world currency markets. This is called a freely floating exchange rate and is recommended by the IMF and World Bank. The advantage of this kind of policy is it enables the country to be able to control domestic prices, interest rates, and employment with other policy tools that are not necessarily available when a different currency valuation method is chosen. The disadvantage is that it opens up the economy to greater instability. The exchange rate will gyrate to reflect internal and external crises and currency speculation.

On the other end of the spectrum is fixed exchange rates. These are set by the government. In order to keep the desired rate, the government has to buy and sell its own currency in international markets. That can be a very expensive and unpredictable exercise. Or, in some cases, a country links its currency with that of a more economically powerful ally. Countries like

El Salvador, Hong Kong and Argentina (until recently) made a variety of arrangements to link their currency to the US dollar as a way of bringing greater stability to their economies. European Union members saw their currencies locked together in 1999 as preparation for the birth of a common currency – the euro. This latter example is known as a monetary union. In a monetary union or other form of fixed exchange rate (like some “dollarized” economies in Latin America), countries cannot use interest rates or exchange rates to adjust for economic imbalances, rather, the adjustment falls on domestic prices and employment levels.

In between these two ends of the spectrum are various adjustable methods that attempt to balance the trade-off between economic stability with flexibility and other domestic needs.

Movements in the exchange rate shift the relative prices of goods and services in the country. For example, if a country lowers its exchange rate, i.e. the value of its currency depreciates relative to others. This makes that country’s exports relatively less expensive and imports relatively more expensive. This can raise prices of critical goods in the country with the depreciation, and the overall price level may rise if imported goods and services are a big percentage of the total market. Foreigners, on the other hand, will need less of their currency to pay for the desired exports which will look cheaper in these overseas markets.

When exchange rates float, governments can take behind-the-scenes measures to influence their exchange rate. Generally, this occurs when a government wants to try to strengthen its exchange rate or that of a major economic partner. For example, in the summer of 1997, the Thai government spent a lot of its foreign reserves trying to prop up the value of its currency, the baht. This led to a financial crisis in Thailand and triggered a wave of financial instability in several other nations: “The Asian Financial Crisis”.

Gender example: Currency devaluations can have especially pernicious effects on people living in poverty, and women in particular. Often, women and girls bear the immediate brunt of any price increases due to their traditional roles in providing for the domestic needs of the family. This can mean such things as increased workloads in unpaid and paid work to cope with rising prices, adopting coping strategies to find cheaper alternatives (substituting home grown food for store-bought), and shifting consumption allocations to family members who have the greatest earning power. African Women Leaders in Agriculture and Environment (AWLAE) have published a case study of the devaluation of the CFA franc in Mali. They found that as a result of the devaluation, “women are participating in greater numbers in agricultural production as the number of households threatened by food insecurity increases.” Women put more labor into cultivating a market crop, rice, as a way of increasing income. They decreased the amount of care given to young children in the home. AWLAE also found, ironically, that women’s status improved because women’s financial contributions to the household became “indispensable”. Meanwhile, men’s coping strategies were quite different – pulling away from responsibilities and social customs.

CAPITAL CONTROLS / INVESTMENT LIMITATIONS

Definition: Rules or regulations which dictate conditions for foreign investment. These can take the shape of limits on where foreign investment can be made (e.g. off-limit geographic

areas, or sectors of the economy or quantitative restrictions on the percentage of foreign ownership in a particular firm). There also can be limits on the percentage or the pace by which profits or capital can be taken out of the country. These are known as profit transfer and capital repatriation restrictions. There are many other types of conditions on investors like requirements specifying that an investor utilize a certain amount of local content in products, or generate a certain amount of foreign exchange through exports or hire a certain amount of locals as managers.

Purpose: Capital controls on direct investment (owning physical property) or portfolio investment (investing in the stock and bond market) can help to curb speculative investment and promote a more stable financial environment. Speculative investment can cause a major economic disruption when it involves quick, massive changes in money flowing into or out of a country in an attempt to make a fast profit. Investment limitations can help keep money in a country to promote various objectives such as investment, employment creation, technology transfer, etc. Critics of controls argue that free markets are more efficient and wise about directing capital to its best use. Capital controls can also discourage investment since an investor may choose another country without controls.

Gender example: One of the major components of the Asian financial crisis was the rapid flight of capital out of countries such Thailand, Indonesia, and Korea, after having increased dramatically. (Foreign investment doubled in South Korea, Indonesia, Malaysia, Thailand and the Philippines between 1994-1996.) These countries had weak or no capital controls and had liberalized financial markets without establishing proper regulations. Therefore, wealthy individuals and investors could easily take their money out of banks, the stock market, certain types of businesses and park it in a safer and more profitable country. As a result of the financial instability related to capital flight, plunging foreign exchange rates, and waves of bankruptcies, affected Asian economies fell into hard times. Unemployment and prices for basic goods skyrocketed along with the numbers of people in poverty in several Asian nations during the late 1990s. In Indonesia, for example, the International Labor Organization estimates that unemployment tripled, with an estimated 1.5 million formal sector jobs lost between 1997-98. One way households tried to cope with the financial strain was to send women and girls to find ways of producing income. According to the Indonesian government, there was a rise of 2.4 million self-employed people and 1.3 million in unpaid workers (in family businesses including farms). While we do not know how many of these were female, traditionally females have disproportionately comprised those working in the informal sector and among unpaid family workers. While there are no reliable figures, a dramatic rise in migrant labor and prostitution among Indonesian women has also been reported.

INVESTMENT INCENTIVES

Definition: These are policies that are “carrots” – positive rewards to entice foreign investors. They contrast with “sticks” – the negative restrictions of capital controls and other kinds of limitations described.

Purpose: Governments offer such carrots as tax breaks, financial assistance in training the potential workforce, and free or reduced cost infrastructure (e.g. roads, water) in the hopes of

attracting foreign investment. In a less official and perhaps less public fashion, governments may offer to waive certain regulations or the enforcement of certain regulations (such as labor or environmental laws).

Gendered example: The government of Taiwan has worked hard to transform and modernize the Taiwanese economy, moving away from agriculture towards manufacturing exports. As a part of this process, they promoted export processing zones and strong family-centered subcontracting outside the zones. With “Living Rooms As Factories” as the slogan of a government-sponsored community development program, Taiwanese women were tapped to supply the labor for this effort. While the initial push was aimed at single women, it increasingly relied on the paid and unpaid labor of married women to fuel this export boom. “Mothers’ Workshops” became a second, separate government program that encouraged women to work in this export sector, saying they had a moral obligation to contribute to the country’s economic development. Professor Ping Chun Hsiung has documented this trend, arguing that women’s work and family lives contributed greatly to Taiwan’s average 9.1% annual GNP growth over the last three decades. She highlights the gendered dynamics of the “economic miracle”, noting that men got to be the owners of the businesses. This enabled the men to strengthen their authority as the head of the household, reinforcing gender inequality.

PATENTS, LICENSING, INTELLECTUAL PROPERTY

Definition: A patent is a legal recognition that one has the right to develop, sell and use an invention for a certain period of time. Infractions of patent laws can be challenged in court and subject to potential monetary damages. A license is a legal agreement enabling an individual or corporation to use a patented technology or process, or produce a certain product or service, or use a trademark for a certain length of time under certain conditions by paying royalties to the license holder. Intellectual property refers to the legal recognition that someone or some business was the creator of certain ideas, technologies, inventions etc. This legal recognition occurs by the granting of a patent or registering a brand name, trade or service mark.

Purpose: Inventors and corporations are interested in obtaining legal protection for concepts, products, goods and services, technologies, inventions, etc. because this gives them the power to control its use and further development as well as to capture as much revenue as possible from the use and sale of the intellectual property. A major rationale for the patent system is to encourage future innovation by protecting lucrative profits of one’s invention for a period of time. Governments establish laws governing patents, trademarks, licensing, etc. in order to attract foreign investors and encourage companies to sell particular goods and services in their country. Contrarily, governments may write intellectual property laws to benefit domestic producers and ensure basic human needs are met by domestic producers. One of the most contested areas currently concerns patent and related trade laws for pharmaceuticals.

Gender example: The granting of trademarks, patents and other forms of intellectual property protection can have important gendered health and livelihood consequences. The following example shows how an international intellectual property agreement plays itself out in women’s roles as mothers in Guatemala.

An estimated 1.5 million infants die from diarrhea each year. The problem generally arises because poor women do not have access to clean water with which to mix baby formula. Often they mistakenly believe that formula is better than breast milk (because of manufacturers' marketing efforts). In order to change this practice and encourage women to breast feed, the World Health Organization and UNICEF introduced an international code of conduct for infant formula manufacturers, discouraging them from marketing efforts that encourage women to think that formula is better than breast milk. In line with the code, Guatemala adopted a national law regulating the marketing of infant formula in 1983. Domestic and international manufacturers altered their labels and practices to conform to this new Guatemalan law with the exception of the US company Gerber. Gerber challenged the law in Guatemalan court and lost in 1993. (Gerber's wording of its label and images, among other practices, were found in violation of the law.) It then decided to challenge it internationally through the Trade-Related Aspects of Intellectual Property Agreement (TRIPS) administered through the WTO, saying the Guatemalan regulation was an infringement of its trademark. The company felt it should have the right to have its happy, fat baby as part of its label, regardless of the message this might convey to illiterate women who cannot read any printed warnings or instructions. The government of Guatemala did not have the expertise or money to fight the challenge at the WTO headquarters in Switzerland, so it changed the law to exempt foreign formula manufacturers.

NON-TARIFF BARRIERS TO TRADE (NTBs)

Definition: There are different definitions of NTBs; the common one is all non-monetary barriers to trade. One person's "barrier", of course, is another person's "foundation" depending on one's political perspective and objective. Traditionally, NTBs have included policies such as VERs, laws setting minimum export prices, restrictive licenses, delays at customs facilities, etc. In recent years, multinational corporations have begun to use regional trade agreements and the WTO to expand the definition of NTBs and win monetary damages from governments or changes in policies. The list of potential NTBs now includes labor, environmental, health and safety, government purchasing rules, and affirmative action/anti-discriminatory laws.

Purpose: Governments enact laws to meet a wide range of social, environmental, economic, and political objectives. Corporations may see these laws as obstacles to the free flow of goods, services and financial capital necessary for making profits, which is their ultimate objective. Businesses tend to have a double standard – labeling only those as "barriers" that they do not benefit from.

Gender example: Women traders in East Africa have reported that they often face harassment and intimidation at border crossings unlike their male counterparts. This would be an example of a more traditional gendered NTB. A non-traditional one is the potential for corporations to challenge US affirmative action laws. The United States government gives incentives to minority and women-owned businesses as a way of trying to overcome the history of economic discrimination people of color and women have faced. These incentives are in the form of bidding preferences for contracts to provide goods and services to the government. These kinds of incentives potentially could be challenged as an "unfair barrier to trade" under the World Trade Organization.

Conclusion

Traditionally, trade and investment policies have been considered “gender blind” or “gender neutral” tools for directing a country’s economy. That is to say, academics and policy-makers would have argued that the policies didn’t have any particular affect on males or females, household gender dynamics, etc. As feminist economists and advocates do more research in these areas, they are documenting how and why this is not so. As this introduction attempts to illustrate, taking gender into account is a must as we assess appropriate trade and investment policies. Even the most esoteric policy which might seem to be only of interest to certain business people or government officials can have a dramatic impact on the daily lives of women and men, their families and communities. Consequently, it is important for all people to become more knowledgeable about these issues and to contribute to a broader public dialogue on what just and sustainable trade and investment policies might look like. Moreover, this analysis attempts to underscore the need for social impact assessments with a strong gender component. Many NGOs are calling for such assessments to be done before trade and investment agreements are finalized. Clearly, they would also be helpful for governments to perform when evaluating whether to unilaterally change a trade or investment policy. The gender bias usually is not in the technical language of any policy per se, but in the impact of the policies and the implementation of international agreements.

For more economic literacy materials on gender, trade and investment, see the Economic Literacy section of the IGTN website at: <http://www.genderandtrade.net>. For additional copies of this pamphlet please write the IGTN Secretariat.

The International Gender and Trade Network is an international network of gender advocates working to promote equitable, social and sustainable trade. The Network utilizes research, advocacy and economic literacy to address the specific trade issues of the seven regions: Africa, Asia, Caribbean, Europe, Latin America, North America and Pacific.

For more information on the IGTN regions and global initiatives and to sign-up for the IGTN monthly bulletins, contact the IGTN secretariat.

International Gender and Trade Network Secretariat

Center of Concern

1225 Otis Street

NE Washington, DC 20017

secretariat@coc.org

www.genderandtrade.net