



Tensions between the role of trade, development and gender equality

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Some tensions between the role of trade, development and gender equality

Clearly economic viewpoints on trade, economics and growth cover a wide gamut of perspectives. Even the reigning orthodoxy would disclaim some of the arguments and truisms claimed in the context of trade negotiations and which form the basis of trade policy. For example, the argument that free trade is always and everywhere the optimal policy. This only gets more convoluted (or clearer, depending on your perspective when you bring in the varieties of heterodox viewpoints from post Keynesians to neo-Marxians to feminist economists). For example, from the viewpoint of many heterodox, including my own, the law of comparative advantage does not adequately explain in a consistent manner current trade patterns. Furthermore, heterodox economists would also counter that the dominant underlying character of trade is 'competitive' or 'absolute advantage' and not comparative advantage. (Comparative advantage is based on assumptions of full employment, same technology, and an automatic price adjustment mechanism that leads to a world of balanced trade.) In this context, therefore, the heterodox proposition would help to explain better the present situation of chronic current account imbalances, deteriorating terms of trade, structural unemployment (even in the context of some growth) and the persistent and pervasive trade induced debt relationships between north and south.

Consider that the subtext in trade discussion, even at the WTO, is a pervasive underlying mercantilism coupled with a pecuniary approach to competition. Then, this would go a long way towards explaining, at least for some of us, why it has been so difficult to get to the development dimensions in the Doha round and the unwillingness of the rich countries to resolve the outstanding implementation issues that are critical to development. One simply needs only to take a brief look at the current discussion around non-agricultural market access (NAMA) to verify this.

Clearly the attempt to eliminate tariffs and non-tariff barriers (NTBs) on all areas not presently included in agriculture and services, if achieved, will lead to a pervasive shift in the emerging international division of labor from what most developing countries are presently aiming at - industrialization and ending the over reliance on low valued primary products. As noted by presenters in the workshop on NAMA yesterday, if the current push for drastic and draconian tariff slashing on critical areas of industrial products, fisheries and other natural resources, whatever tariff cutting formula succeeds, the ultimate long-term result will be that developing countries lose-out in the manufacturing/industrial sector. This scenario has already been played out under IMF/World Bank-led structural adjustment programs, which cut tariffs on industrial goods in some African countries with the consequence of rapid de-industrialization. As noted by presenters yesterday, a potential impact of NAMA is that developing countries may be locked into primary commodities and extractive activities. Thus, if the governments and people of developing countries are not careful, they are headed towards a very familiar but undesirable direction: backward into the future.

In attempting to look more deeply into the role of trade in the global economy, I am guided by the following two observations around which I will formulate the rest of my intervention.

- 1) There are apparent tensions between the norms, values and practice of trade and economic development--present patterns of trade (and trade rules) do not seem to be supportive of economic development that is consistent with poverty eradication, full employment, the protection of human rights and the environment, and social development

- 2) Current patterns of trade (and trade rule-making) may present significant challenges for gender equality objectives, which, in turn, can have significant untoward effects for long-term development.

[Though, logically, I would like to start with the first observation, given time constraint and the fact that discussion of my second observation is rarely heard in a forum such as this, I will start with the gender observation first and work my way into the other issue.]

Tensions between the role of trade and gender equality outcomes

I am aware of the fact that this might be my most heretical contribution to the discussion here this morning for there is often a general misconception that gender is a philosophical issue that does not belong at the trade discussion.

But it is increasingly being recognized that unless the issues of gender inequality, women's social and economic empowerment, and women's role and contribution to the national and global economy is recognized and deeply intertwined into all aspects of macro policies—including trade—the issues of poverty, inequality and under-development cannot be adequately resolved.

In general, economists assume that gender roles and relationships are not relevant to the study of macroeconomics and trade which deals with highly technical aggregates such as price stability, employment, external balances and policy instruments (fiscal, monetary, exchange rate, tariffs, NTBs). While conventional economic reasoning may accept the validity of gender at the micro level of analysis and in research and analysis focused on labour market issues, unpaid work, etc. there is resistance to the incorporation of gender as an analytical category in the so-called hard areas of macro analysis, trade and finance.

The work of feminist economists and gender advocates has shown that “gender as a relation of power, is a social stratifier that influences the distribution of output, work, income, wealth, etc.” (Cagatay). And since, ‘gender also influences the behavior of economic agents’, it is critical to our understanding of the economy as well as the role of trade in the global economy. As noted by feminist economists, “institutions, including free markets, that mediate between macro and micro levels of the economy bear and transmit gender biases so (they) cannot be assumed to be gender neutral.” As so eloquently argued by Cagatay and Elson, “gender relations are not something outside of the economy in some realm of ‘preferences’, ‘aptitudes’ and ‘traditions,’ gender relations are continually reformulated and permeate all economic activities.”

When mainstream economists take a glance at gender, trade and growth they tend to see nothing but the good: trade liberalization creates employment that benefits women and/or import competition diminishes gender discrimination in labour markets. (See for example, Baghwati's *In Defense of Globalisation*). However, when feminist economists and gender and trade activists examine these issues we work with a more complex, highly nuanced and sometimes disturbing picture: the good, the bad, and the ugly are up for discussion. This is because the focus is not simply on ‘trade’ but on the link between trade and the spheres of production and reproduction—“the care and development of people and their capacity to work” (Cagatay 2003). Focusing on the intertwine between the two spheres and trade opens up the issues of the division of labor in society between men and women, paid and unpaid work and its contribution to the market, access to resources, intrahousehold distribution of income and resources and the condition under which entrepreneurs do business. It also allows explicitly for examining the informal and household economies and their contribution to trade and growth.

Researchers have found that trade can affect gender equality through:

- Having a positive or negative impact on growth and employment opportunities. When trade results in increased income and employment, this can lead to reduction in gender inequality. This can be easily offset by problems with the condition of work and lack of health and safety precautions.
- Creating competitive pressures which may reduce or encourage gender discrimination, in particular, wage differential.
- Facilitating or raising barriers to women's access to resources and services.
- Trade rules that may facilitate or constrain government in applying policies or regulation that address gender equality.

Gender consideration is also important for the success of trade and growth strategies. For example, female employment in agriculture (mainly non traditional agricultural exports—Latin America and South Africa) and non-agriculture can lead to increased income in export oriented industries. (Frances Perkins found that a 1% increase in the share of exports in developing countries may be associated with a 0.2% increase in female non-agricultural employment cited in UN1995.)

Joeke (1995), Standing (1989) and the United Nations (1999), found that industrialization in the Newly Industrialized Economies (NIEs) (Taiwan, Hong Kong, South Korea and Singapore) is 'as much female-led' (the feminization of export) as it is 'export-led'. This supports observations that "(t)he employment of large numbers of women in the low-value chains of global production networks often provides the stepping stone for a systemic industrial strategy." (See for example, Export Processing Zones (EPZs) in South Korea, Mexico, etc. where women are over 60% of the EPZ labour force. However, recent work on Taiwan, Hong Kong, South Korea and Mexico show a decline or reversal of women's share in manufacturing— its de-feminization.

Therefore, the relationship between gender and trade is as complex as that between trade and growth. Ultimately, the two pairs must be examined fully as they have particular implications for economic development. Obviously, the way that trade policy is designed and implemented, as well as the assumptions about how trade impacts the economy and its relative impact on different aspects of the economy, is central to the debate about trade, growth and economic development. The role of women's and men's location and participation in the economy and how directional shifts in trade orientation and policy impacts existing gaps in men's and women's differential access to resources and the labour market must be a critical factor in determining the effectiveness of trade for economic development in the medium and long term.

This brings me to my second observation on the tensions (and dilemmas between the role of trade and economic development).

Tensions (and dilemmas) in the role of trade and economic development

The importance of trade for the well being of a country has long been recognized. What has been in contention is the degree of openness of the economy to the penetration of foreign produced goods and services. The classical economists viewed trade as one way of contributing to the wealth and capital accumulation of a nation. However, the specification of the

direct and continuity transmission effect of trade to the growth of the economy was never adequately spelled out.

The link from this initial perspective to the now often repeated dogma of the automatic link between trade and growth was developed much later when orthodox economics argued that specialization--cum division of labor would lead to increased welfare and increased income. Increased growth would ultimately increase the standard of living and decrease poverty. Given the presumption that the nature of underdevelopment in the global south was a problem of inadequate growth and inefficiency in the utilization and allocation of resources, it was not difficult then to argue that increased trade automatically would promote development. However, the empirical evidence does not validate an automatic linkage between trade and growth. The ensuing and emerging developmental and social costs of engaging in international trade, which were not configured into the framework, is now playing havoc with the process of economic and social development in many developing countries. Such developmental costs include lack of attention to production capacity in the domestic economy—due to discontinuities in industrial and development policies as a result of over-focusing on trade reform, lack of attention to human resource development, etc. The major social costs that can be linked to trade or that are trade related include rising inequality, food insecurity, and trade liberalization induced fiscal revenue shortfall which endangers social sector spending.

Clearly, the role of trade in the national and global economy is not as straight forward as it once appeared. While the classical economists' view of trade is not without some validity—trade does seem to enrich the rich countries of today, and some developing countries seem to have prospered from international trade—it is not necessarily so for the vast majority of developing countries, especially the LDCs. Trade may indeed have the potential for all that is promised on its behalf, but it is clear that there are explicit and implicit adjustment costs as well as unequal sharing of the burden of adjustment between rich and poor countries. More significantly, trade has been overdressed with a top heavy and cumbersome liberalization agenda that would seem to be increasingly pathological in its excesses and deficiencies. It not only penalizes countries that follow the rules, but whether inadvertently or by design, seems to perpetuate unequal exchange and retard sustainable growth. These excesses and deficiencies that are now having a stranglehold on developing countries include:

- Excessive emphasis on promoting the freedom of choice --right to entry and exit--of foreign economic agents and the goods and services they produce. This must be juxtaposed with the deficiency in the nature and extent of choice open to developing countries in setting policy parameters and objectives, especially when these conflict with trade liberalization. In fact, there is significant reduction in the policy-choice nexus of developing countries—a shift from a broad vector of instruments traditionally outside the area of foreign trade but which are now identified as trade--related or trade distorting and therefore regulated in trade policy. Increasingly, developing countries have no room for experimentation and reconsideration of policy approaches, remedies and instruments.
- A most egregious excess is the largess of subsidies to agribusinesses in the north that results in the dumping of agricultural products (corn, milk, rice, etc.) by rich countries on poor countries. On the other side, there is a deficiency in commodity prices and insufficient protection for food staples such as rice in developing countries.
- There is also excessive attention to how the market works versus inadequate attention to how markets are actually developed, function and maintained in different developing countries.

- Excessive attention to market access and inadequate or deficient treatment of conditions and nature of domestic production and reproduction.

Given these excesses and deficiencies, the conventional wisdom that traditionally located the role and value of trade in its ability to increase the standard of living, income, employment, and growth, as well as expand the basket of goods and services available, may not hold for some trading nations. Clearly, from the standpoint of economic development, there is a serious need to reevaluate old assumptions about trade growth, employment and consumption.

So in looking at the future role of trade let me harken back to the past a bit. A key aspect of the international dimension of the old social contract that was in place after World War II, was the recognition of the lopsided nature of the global economic relationship between the global north and the global south. This recognition led to an emphasis on providing for allowances for the 'developmental state' in the south. A key constitutive element of this was the need for external financing on concessional terms as well as the opportunity for developing countries to have different obligations within the multilateral trade system. Hence, in many cases, provisions and measures in trade agreements attempted to take account of and adjust for economic disparities between rich and poor countries. The latter was encapsulated under the framework of special and differential treatment (S&DT) in the General Agreement on Tariffs and Trade (GATT), which governed the early form of the multilateral trading system. This was complemented by differing approaches to a generalized system of preferences built-into many developed countries trade policy apparatus and implemented on a unilateral basis.

S&DT was meant 'to establish equity and fair competition where structural conditions are different and to avoid distortion due to negotiating power'. However, the final results of the Uruguay Round did away with the key operational pillars of S&DT (preferential access and the policy discretion to maintain trade barriers to deal with balance of payments (BoP) and to protect infant industry and the right of government to support domestic industries). Under the old GATT, S&DT offered developing countries the possibility of having flexibility in tariff structure, lower levels of tariff bindings, and the use of quantitative restrictions for BoP, etc.

Today, trade agreements at the multilateral level are increasingly based around the apparently neutral, but in reality politically powerful (for the rich countries) and disempowering (for developing countries) concept of a 'single undertaking.' To the extent that these agreements continue to define as 'trade related' most economic activities that Transnational Corporations (TNCs) argue are critical to the profitability of their operations, while most developmental, social and environmental oriented rules and activities are defined as 'trade distorting' and therefore disallowed, they are counter development. Thus, it could be argued there is a shift in the role of trade in the global economy from trying to facilitate development to actively working against economic development in the global south.

In the current increasingly polarised political climate, there is need for new directions that can relieve tensions and build new ground for moving forward. This space must allow discussion, sharing and interchanges around core values that are at the center of the UN's, and hence global, commitments to gender, social and economic justice, and peace that have been forged over the last millennium, and in particular the last fifty years of the 20th century.

Thus, a strategic framework for sustainable global trade must be based upon the following two critical legs.

1) A renewed social contract between rich and poor countries that is grounded in a commitment to economic development which is itself grounded in principles of:

- Food sovereignty;
- Fair competition;
- Fair share in the burden of adjustment of external account;
- Narrowing or closing the gap between overly tightened trade rules and overly lax financial and monetary rules;
- Better terms of trade for developing countries' products;
- Co-existence of variety of exchange rate management, depending on a country's self-defined needs;
- Respect and tolerance for a variety of approaches to economic and social policy, depending on a country's self-defined needs and priorities

2) Trade assumes the role of one of many key cornerstones of a broad prosperity agenda that include:

- A renewed emphasis on full (and meaningful and sustainable) employment;
- Upwards harmonization and safeguards of worker's rights;
- Gender equity, gender analysis and gender indicators in assessing benefit gains, costs and losses from trade;
- The promotion of a comprehensive approach to human rights in all bilateral, multilateral and regional trade agreements;
- Corporate accountability;
- Tax on speculative capital transactions, especially foreign exchange transaction;
- Liberalization of immigration (as it was in the 19th century when Europeans were able to immigrate to Africa, Latin America and the Caribbean and elsewhere—this was a substantial contribution to the economic development of Europe);
- Debt write-off.