

The Trade and gender Agenda in the New Context of Global Financial crisis

Introduction

What is the role of trade in the global economy?

What is the role of trade in the development process?

- Issues of social development & social protection
- Social and gender equity
- Industrial development
- Employment, sustainable livelihoods &
- Working conditions, Human rights and human development

Is there conflict and tensions between the trade agenda and the development agenda?

Where does gender equality, poverty eradication fits in?

What is the scope of Trade Liberalization?

What are the ultimate implications for development, gender equality and poverty eradication?

• The role of trade in the global economy

Relationship between trade, economics, gender and growth.

Critically important is: who is asking the question? Why? (For what purpose?) In addition, what are the assumptions implied in the question(s)?

For clearly there is much confusion about what economics and economists say about trade and what actually passes for trade policy and practice, as well as what economists say about trade and growth.

The same is true for gender, gender development, gender and growth and ultimately gender and trade

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.

In attempting to look deeper 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 & the environment and social development
- 2) Current patterns of trade (and trade rule-making) present significant challenges for gender equality objectives, which can have significant untoward effects for long-term development.

Our framework and underlying perspective is that: Trade liberalization is intertwined with social policy, labour market and fiscal and financial policies etc and thus have tremendous implications for development, poverty eradication and gender equality.

MTS rules may facilitate or constraint government in applying policies or regulation that address gender equality.

More significantly, trade has been over dressed with a top heavy and cumbersome trade liberalization agenda that is increasingly pathological in its excesses and deficiencies, which not only penalizes countries that follows the rules but whether inadvertent or by design seem to simply perpetuate unequal exchange and retard sustainable growth.

These excesses and deficiencies 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.
 - Juxtaposed to 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 of the policy-choice nexus of developing countries away from a broad vector of instruments that goes beyond the traditional area of foreign trade but which are now identified as trade –related or trade distorting.
 - Increasingly, developing countries have no room for experimentation and reconsideration of policy approaches, remedies and instruments.
- **Tensions between the role of trade and 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 view trade as contributing to the wealth and capital accumulation of the economy.

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 increase welfare and increase income.

Increase growth would ultimately increase standard of living and decrease poverty.

At the same time since growth and efficiency seemed synonymous with economic development, increased trade would naturally promote development thereby hitting two targets with one stone.

However, the empirical evidence does not validate this automatic linkage between trade and growth.

The ensuing and emerging developmental and social costs, 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 etc, 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.

Currently, the role of trade in the national and global economy is not as straight forward as it once appeared.

In earlier times, classical economists viewed trade as contributing to the wealth and capital accumulation of the economy.

While this may be still be true for the rich countries today (evidence), it is not clear that this is 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.

- Trade and development in a world of competitive or absolute advantage
- Feminists: include social reproduction; well-being versus utilitarian approach (note: importance of who is asking the question and the assumptions being employed) note: even from an orthodox position there is a recognition that many of the claims made in the policy realm are problematic from a theoretical point of view.

- New Trade theory and HOS also show the case where free trade is not the optimal policy rule.
- Predominance of competitive or absolute advantage over comparative in real world trade accounts for the predictable outcome of trade.
- Problematic assumption: comparative adv; full employment, automatic price adjustment mechanisms that brings balance trade.
- Lack of attention to the monetary nature of production/persistence and excess capacity are also relevant for understanding the role of trade in developing countries.
- Today's financial crisis gives the stark importance of these linkages. Present conventional approach is not adequate for understanding the patter of trade and growth. Trade as a substitute for development confounds ends and means

Trade impacts on and relates to:

- the spheres of production and reproduction.
- Division of labor, access to resources operations as entrepreneurs. Discussions of the role of trade encompasses methodological, philosophical and epistemological issues.
- Issue of data and data availability for assessing trade flows and patterns, gender dimension, developmental dimensions etc.
- Informalization and household economies issues of 'measurement', 'quantification' and 'indicators' in the case of gender trade and development but also trade poverty and development.

Trade is often cast as a center piece of development. It stands to reason that it must consider the issue of gender. But there are other reasons as well women labour has been synonymous with export led growth of late industrializers.

I. The new Context of Global Financial crisis

Triple crises plus

The crises of the three "Fs": the food, fuel and financial crises that are rocketing the global economy.

These three crises are critically inter-linked and inextricably intertwined. For example, rising oil prices induces demand for bio fuels as well as engender rising cost for fertilizer production, crop drying and transportation.

Crisis in the financial markets engender increase commodity speculation as index funds, pension fund, hedge funds and investment banks seek portfolio diversification from financial assets.

At the same time rising oil and food prices impinges on household budgets impacting all forms of expenditures including mortgages etc.

These crises are clear evidence of systemic government-market and institutional failures to combat and deal with the excesses of de-regulation, rapid and uncontrolled accumulation and greed both in the North and the South.

Underlying these failures is the pervasive and damaging effects of a corrosive fundamentalist economic and social ideology that premised the market and key market actors as the key arbitrators of social and economic goods.

It also privileged and held sacrosanct the 'right to do business' and profit maximization unfettered by social, development and governmental obligations over fundamental human rights, the welfare of the majority and the provision of the basic services essential for human functioning and which are critical for life.

Unfortunately for the poor and disadvantaged, these three crises are not equivalent in their impacts on the lives of countless girls, boys, men and women in the south.

Financial crisis poses significant negative feedback and pass through effects for the food and fuel crises to the extent that: a) it worsens global economic and trade situations and b) through its impact on the prices of commodities and fuel.

These crises are also critically inter-linked and inextricably intertwined with the global trade system and trade liberalization

1. Financial liberalization and trade liberalization have been two key pillars of the globalization agenda.

Contrary to popular expectations, the push for rapid trade liberalization has also contributed to the fragility of many developing economies.

- Trade is also the key source of contagion of the financial malady to those economies that are tightly tied into the global trade and finance dynamics.
- The World Bank has highlighted the fact that the economies that have not been deeply integrated into the global financial system or over exposed to trade dynamics have not succumbed as rapidly to the ill effects of the crisis.

“The limited depth of developing country financial markets, that reduced the penetration of new instruments and exposure to rapid mobility of capital flows, was a crucial factor that reduced or slowed the damage in their economies. Moreover, it is those developing countries that more opened themselves to foreign banks are the ones that are faring worst

comparing to the ones that had a relatively more closed financial sector. Many countries have been forced to quickly introduce measures to restrict or ban certain types of trading in financial markets.”

The flexibility of many of these countries to introduce the capital management techniques and regulations required by the crisis has been compromised already by bilateral trade and investment agreements.

Indeed, in the last few years, it has become common for trade and investment agreements to include provisions that constrain the capacity of governments to manage the financial sector, the capital account and sovereign debt (Caliari).

Nonetheless, the depth and severity of the financial crisis is now impacting regions such as Sub Saharan Africa. The key mechanisms of transition have been through the trade-finance linkage.

2. As the financial pillar as come tumbling down, intermixing with and reinforcing other market failures/crisis such as the food, fuel and climate crisis in the global economy there has been an almost desperate attempt to shore up, protect and project the trade liberalization pillar.

3. As a result, there is an almost frenetic energy around completing the Doha round of trade negotiation.

4. What proponents of this mindless mantra do not ever acknowledge is that the international financial architecture is the context in which trade occurs and that trade liberalization is as much implicated in the devastating transmission of the crisis and trade rules will also negatively impact the ability to remodel domestic capital relation and financing, including financial liberalization, under the WTO GATS, the Financial services agreement—which locks in financial liberalization.

5. At the same time we must be concerned that the drop off in investment will generate yet another round of competitive under binding by developing countries for investment. Accepting even more stringent rules and regulation that restrict the effectiveness of this investment including the promotion of gender equality.

6. Trade is the main channel by which the FC/EC is impacting the real economies of the south

7. Real effective reform of the IFA is the context for successful and equitable trade system.

8. Trade related channels are multiple and goes beyond market access:

- Export volatility/earnings

- Exchange rate volatility(ER is the link between trade and the financial system); need stable ER (cost to the economy) constant real ER (=Nominal ER adj. for inflation)
- Exchange rate: trade performance and competitiveness. Change in ER → relative price of exports, price of accesses to finance for production, evaluation of market access concession → trade performance
- Change in ER also impact essential imports (food energy) implication for food security and the balance of trade
- BOP
- Remittances
- Capital flight (Flight to quality and 'security')
- Investment (FTA's)
- Financial service liberalization (WTO-GATs and FSA)
- Trade financing

II. The Trade and Gender Agenda: What is it really?

A. Untangling terminologies and concepts

Undeniable, Trade and trade liberalization and the trade policy and institutional reform, it has engendered, is at the center of growth promotion and poverty reduction strategies at the national, regional and multilateral level' (Isodor2006). Thus trade and its various dimensions and aspects have significant implication for the movement of human, financial and economic resources within national economies as well as at the global level. It thus is a significant factor in the financing for gender equality as well as have direct impact on the empowerment of women.

Trade agreements are the set of modalities, rules and procedures governing the setting of tariff, non-tariffs and other restrictions on the cross border flow of goods. Such agreements also set the boundaries of reciprocity and non-reciprocity governing this movement. It also includes degrees of flexibility for contingent trade measures such as anti-dumping duties, countervailing measures and safeguard measures.

Trade policy refers to the rules and procedures for regulating the inflow and outflow of goods and services into and out of a country. It may also include the promotion of exports.

Trade reform. Here I am using the term in the broad sense (of Dani Rodrik 2000) as process that goes well beyond narrow economic concern with changes in tariff levels etc and towards a more comprehensive view of a process with mechanisms and modalities that results in the shifts in the pattern of resource allocation, changes in policy parameters and behaviors and values such that new rules and expectations are created that impacts the opportunities and constraints of different groups in the economy.

Both trade policy and trade (policy) reform are determined by trade agreements negotiated multilaterally at the level of multilateral trading system, and bilateral and

regionally (i.e., the Economic partnership agreement). The actors hence involve governments, trade and international financial institutions such as the WTO, the World Bank as well as the regional development banks. So we are speaking of very broad and extensive networks of influential players whose activities have significant implications for the revenue and expenditure streams of developing countries budgets. This includes inflows and outflows of funds from trade and trade related sources as well as ODAs and debt.

A key focus of trade negotiations and trade agreement is the reduction of tariffs, and other barriers to the cross border movement of goods and services. The key instruments are deregulations, tariff reduction and 'progressive dismantling of non-tariff measures' accompanied by an array of export promotion measures.

These instruments and measures have many direct and indirect ways of impacting the availability of the resources for gender equality.

While some instruments may add to the flow of incoming funds and revenue (that is they infuse or inject more funds into the spending streaming) others may result in leakage of funds from specific areas of the budget and distortion of spending priorities.

Making the case for the linkages between gender, trade liberalization and food security, water, energy and sanitation may seem like obvious natural fit for linking the on-going proliferation of bilateral, regional, plurilateral and multilateral trade agreements to gender equality and women's empowerment; but, it has been an uphill battle.

Ultimately, trade policy and trade reform works through a long chain of cause and effect linking from the macro, to the meso and to the micro level.

Women, in their multiple roles as workers, community and household caretakers and business actors, are impacted by reforms of trade policy and trade regulation arriving from trade-offs, trade disputes and the institutional and technical support that aim to facilitate the implementation of the provisions of trade agreements.

Many of the factors affecting women's overall empowerment and women's control over economic and financial resources, including microfinance, are well known and have become stylized facts.

These factors include:

- Gender inequality around differential access to social and physical goods
- Gender gaps in education, income, time use, leisure
- Gender differentiated roles and responsibilities in the household, community and labour markets.

Empirical research have also located these gender differentiated dynamics across a broad range of human social and economic activities including agriculture, services, manufacturing, water & energy distribution and use, transportation, disaster management.

B. Implicit assumption in trade policy making/trade theory that women are passive actors.

Reality:

- Women's paid and unpaid labor in productivity, reproductive and the social and political sphere is the dynamic source of existing trade patterns for many countries.
- "women labour is key element that fuels international trade"
- Women are traders, business owners, workers, mothers, family care givers, consumers.

[Women are 1/4- 1/3 of business worldwide and 39% of women's businesses are involved in international trade. (NFWOBO 1998)]

Women provide unpaid labor in family business, family farms, household, community and informal sectors.

Official global market transaction is US\$23 Trillion of global output.

Total unpaid activities (valued at market transactions at prevailing wages) \$16 trillion
Women's share of this is about 28%. (UNPD 1995: 57-59)]

Estimates of the gender intensity of production by country and sectors in SSA

C. Arguments for justifying the link between gender and trade and taking actions are at least four folds:

Equity (and democracy): women work is the foundation of global economy. Women contribute skills to economy and in most places women are 50% of population

Economic efficiency: Trade policy not lead to equitable rapid growth without gender equality objectives

Differentiated impact of trade on men and women due to existing gender gaps and gender biases

Gender poverty links: trade have the potential to either reduce or exacerbate poverty. Women are identified as major proportion of poor in all countries therefore gender based analysis must be part of trade policy

- **Blackden of the World Bank argues with reference to Africa, that** the presence of women in economic production is largely invisible and overlooked.
- This invisibility in turn leads to incomplete and partial evaluation of economic outcomes, **including of economic and trade policies** and their effects on the poor, and

This invisibility masks critical interlinkages and complementarities both among sectors of economic activity and between the paid and unpaid economies.

Women business owners, who usually are under capitalized and have less access to finance and credit than their male counterparts, must grapple with the day-to-day reality of complying with rules and standards emanating from changing trade policy and trade regulation.

Female and male workers in the import competing sectors are also differently impacted by trade rules that liberalize these sectors.

Women's businesses are also impacted by investment and trade promotions that determine the flow of project funding and technical assistance. Most often they are the least serviced, if at all. Thus there is a need to tailor programs and project focused on investment expansion or deepening to the key critical needs of women owned micro and SMEs.

Women may also require highly differentiated business support services that are specifically targeted to meet women's priorities and concerns.

Women entrepreneurs who are involved with the export sector or who are contemplating future involvement in this sector may also require particular attention in the area of trade finance, trade promotion, market analysis and development.

As has been noted by Elson and Gideon and the World Bank, women may also be differently impacted by the design and development of physical infrastructure such as roads and ports that would be part of the dynamics of any trade-related infrastructure under Aid for Trade and Trade related capacity building initiatives.

The focus on what kinds of infrastructure will receive priority attention and support--whether it is feeder roads or simply main roads are critical to the survival and expansion of women and small farmers in ensuring access to market and their ability to be independent of middlemen; it may also lessen their dependency on lesser remunerative farm-gate pricing structure.

The direct impacts of trade on women's control of economic resources are predicated on the effect of trade on employment, income and prices in the economy.

Contraction or expansion of may decrease or increase the employment of women and men, yielding increased income to households and more foreign exchange reserves to the government.

Assuming no beggar thy neighbour response to the current financial crisis, the removal of tariffs and other trade barriers will directly affect the prices of goods and services available in the domestic market.

Indirect impacts are those that work their way down to the informal and household sectors through a long chain of causes and effects.

For example, when government revenue decreases as a result of declining trade tax receipts, the government may attempt to make up for the shortfall by cutting social spending and/or by raising consumption and other excise taxes. This will affect household budgets and access to healthcare and education.

C. Highlights of sectoral gender and trade linkages

Import liberalization

Primarily through the reduction of tariffs, on it highlights the pervasive impacts of liberalization in the agricultural sector on food security, livelihood and rural development.

Services liberalization.

Trade in services has only recently been brought under the scrutiny of multilateral trade discipline through the General Agreement on Trade in Services (GATS).

The liberalization of trade in services as varied as health care, education, banking and information technology is distinct from the liberalization of traditional products: apples, oranges and cars.

While cross border trade in traditional products are regulated by price and non price mechanisms, service liberalization is not so much focused on tariff and NTBs.

Rather it emphasizes the dismantling of domestic regulations and eliminating prohibitions on foreign service providers.

Such restraints on cross border trade in services may include artificial barriers to entry and exit, rules that discriminates against foreign operators and occupational licenses.

Other issues include the temporary movement of natural persons (mode IV). A useful example is the temporary movement of nurses and teachers, primarily from poor countries to richer countries.

While this may, in a sense, portend well for both the moving worker and the receiving economy, in as much as it may mean higher income and economic advancement for the former and better health care services for citizens of the latter.

It generally portends a loss in professional services in health care and education for those in the sending economy.

A vital loss of quite expensive human talent and skill and translate into loss of access to affordable and quality education and health care for the women, men and children left at home.

Third issues of preferences: **gained or lost. Here attention is focused on** what can happen when protection is withdrawn on a commodity making it open to competition from all comers.

- The Phase out of the of the Multifiber Agreement (MFA), which was subject to 10-year phase-out of import quotas on textiles and apparel under the WTO Agreement on Clothing and Textiles, from January 1995 to January 1, 2005.
- In Kenya, the phase out led to widespread downsizing by Kenyan firms and the consequent layoff and casualisation of labour contracts.
- The case of India is rather more complex. Unlike Kenya, India had a significant percentage share in global textiles and clothing trade, ranking 7th in former activity and 5th in latter.
- It also has a well developed textiles and clothing value chain and strong domestic market. Indian firms were, therefore, much more able to stand up to full competition.
- Initially, India experienced some acceleration in growth after the onset of phase-out of the MFA; overtime, it experienced some down turn, but not to the same devastating effect as Kenya.
- Women in both countries however experienced similar negative decline in their welfare as firms in both countries attempt to deal with the new competitive environment by decreasing the cost of production through layoffs and the casualisation of work.

NAMA: Non agricultural market access

NAMA is a series of negotiations within the WTO aimed at reducing tariffs on industrial products. Its real scope, however, is much wider because NAMA integrates into its rubric any product that falls outside of agriculture and services. In addition to industrial products, this includes natural and environmental products such as fisheries, forestry, precious metals, and gems, automobile, beverages, chemicals, cement, glass, fishery, forestry, leather, plastics, shoe, automobile, fishery, and forestry and plastics.

The developmental and gender effects of NAMA are likely to spread across three broad areas: budgetary & financial, employment/livelihood and entrepreneurship survival and growth prospects

Key Issues in the NAMA negotiations

Important Issues areas in negotiations:

- Product coverage*
- Tariff reduction*
- Non-Tariff barriers*
- Flexibility*
- Sectoral initiatives*
- Linkage to agricultural negotiations
- Others: treatment of unbounded tariffs/ Ad valorem equivalent

Tariff Reduction formula: push for an ambitious formula for reducing tariffs. To apply equally to all developing countries, except LDCs and article 6 countries. The

Swiss formula will significantly increase access to markets for TNCs by reducing higher tariffs more than lower ones (so called harmonization) .

Key Issues II. Tariff reduction

■ **Given the current situation, with average tariff in Developed countries are at a low bound rate while developing countries have high average bound tariff a low coefficient will yield greater and dramatic reduction in tariff for developing countries.**

Key issues II Tariff reduction

■ **For example, the EU 3.9% at a coefficient of 10 will have to reduce tariff by 28% but a developing country with average tariff of 30% using the same coefficient will have to reduce tariff by 75%. Most all evidence indicates that at a coefficient between 10-30 developing countries have to take deeper cuts than developed countries.**

Many developing countries have tariff lines with unbound tariff. Quite legitimate under the WTO and part of their rights. Lal Das, argues that developing countries ought not to be defensive about this. Further in the developed countries, though average tariff is relatively low, there is high tariffs on products of export interest to developing countries. Once bound cannot be unbound in the future—is for an indefinite period.

Development Implications of possible outcomes of NAMA

In four key areas:

- **De-Industrialization**
- **(Un)Employment**
- **Poverty**
- **Revenue loss**
- **Balance of payment/macroeconomic instability (the Philippines)**
- **Commodity dependence (Ghana)**

Trade policy and industrial policy

■ **As noted by Akyuz, locking in current levels of applied tariff as the basis for determining bound tariff (as is being proposed under NAMA) preclude using tariff as an instrument in different stages of industrialization. In the long run indiscriminate liberalization of industrial tariff can result in developing countries exiting 'potentially higher value added sectors (machinery and equipment etc. Thus countries are trapped into resources based labour intensive products.**

Summary

A central goal of trade policy should be to achieve the maximum possible gender equitable, social and human development in the context of environmental/ecological sustainability and food security. Successful achievement of this goal with regard to gender equality requires that policy-makers understand and take actions on at least four broad inter-relationships underlying trade, gender and the economy. These four intertwining and reinforcing inter-relationships are:

- Trade measures impact and are impacted by historical and structurally reinforced gender rigidities existing in the economy.
- Trade measures impact the multiple, interconnected and interdependent aspects of the economy at the meso, micro and macro levels.
- Changes and directional shifts in trade policy and measures may introduce new opportunities and challenges that impact men and women differently.
- Changes and directional shifts in trade in trade policy and measures impact the process of public and private accumulation that may have different implications for livelihood opportunities for different groups in the economy.
- These four inter-relations can therefore be expanded in the following manner

I. Trade measures impact and are impacted by historical and structural reinforced gender rigidities regarding:

Entitlements/rights: food, land, medicines and other social and cultural assets.

Capabilities: education, skills, training, access to technology etc.

->Functioning: health, nutritional status, access to essential services and participation in decision-making and governance

II. Trade measures impact the multiple, interconnected and interdependent aspects of the economy:

A. Unpaid labour/social reproduction

B. Labour, commodity and other resource markets

C. Credit and access to economic resources

D. Production/distribution

Exchange (monetary)

Non-monetary exchange/gift

E. Domestic law, policies and programs (government services) and

Taxation/expenditures

III. As a result of I and II above, changes in trade policy direction may introduce:

F. New opportunities and new areas of involvement for men and women, firms and government.

G. Expansion of some areas of opportunities for men and women, firms and government.

H. Contraction of some existing opportunities for men and women, firms and government.

I. Destruction of some existing opportunities for men and women, firms and government.

J. New legal framework that changes entitlements, rights and responsibilities and access to assets and government services.

IV. As a result of I, II and III above, changes in trade policy direction impact:

- K. Accumulation/growth (national and private)
- L. Livelihood/provisioning
- M. Poverty (exacerbation/creation/eradication)
- N. Social and human development
- O. Gender equality/equity
- P. Environment/ecology

III. Investment liberalization/FDI and BITs and Gender

Foreign investment is an important component in export promotion growth strategy of developing countries. On the positive side, inflows of FDI generate new sources of employment and likely increased incomes for household and revenues to government that will enable better individual and national standard of living.

At the same time the privatisation of state owned entities, de-regulation of labour and commodity markets and the elimination of restrictions/limitations which many governments have undertaken as part of their strategy for attracting FDI may have offsetting and adverse impacts on employment, wages, working conditions and access to public services.

The intent behind FDI is to increase the level of competition and decrease the level of protection, such a policy agenda often translates into adverse consequences for local small and medium sized businesses that often cannot compete with the big well-endowed multinationals. This has serious implications for women entrepreneurs, including micro enterprise, especially in the areas of agriculture and craft.

1. The Relation Between Trade and Investment

Trade and investment tends to go hand in hand. Trade liberalization has positive effects on the volume of FDI inflows due to the fact that it may make the domestic market more dynamic leading to higher growth and expansion of demand in the host countries (UNCTAD).

Reduction of trade barriers means that TNCs can import better and lower cost inputs which would expand export oriented production in the host country and in the context of regional and multilateral trade agreements, these exports would face fewer barriers (WIDER 2005).

It is argued that trade liberalization has an effect on the quality of FDI. Trade protection is vilified for creating economic rent which is captured by the FDI and transferred abroad and engendering a lack of competition which resulted in very little transfer of technology to its affiliates.

Under trade and investment liberalization, BITs and investment liberalization provisions may also create similar result of dampened technological transfers.

FDI affects development and economic growth through capital formation, technological and managerial know-how. There are great expectations by developing countries' policy makers on the spillover effects of technological transfer (vertical and horizontal; more vertical if there is linkage between FDI and local suppliers and buyers). The underlying assumption is that FDI can result in more effective use of resources in host countries.

FDI is seen as a channel for technology transfer.

The mechanics of how technology transfer occurs is not simple.

- This may involve internal transfer from parent to affiliates, the positive externalities (spillover effect) from the training of locally hired employees of the foreign affiliates and the establishment of linkage between TNCs and local firms and institutions (WIDER 2005).

There has been a long standing and sometime contentious struggle between host countries and their FDI guests about how best to maximize technology transfer.

Historically, for the now developed countries, as well as the newly industrialized countries of South East Asia, the answer has been through (sometimes, mandatory) performance requirements and technology requirements.

Given its industrial development strategies, a government often resorts to mandatory technological requirements to expand dynamic comparative advantage and encourage the diffusion of technology¹.

Increasingly however, with Bilateral Investment Treaties and investment liberalization provisions in the emerging new FDI regime, developing countries are having less and less policy space and permitted tools to direct the qualitative impacts of FDI on their economies.

BITs codify rules that protect private foreign capital (investment liberalization, protection and promotion).

Key provisions of BITs

- MFN/NT
- Adequate compensation for expropriation (direct and indirect)
- Prohibition against currency control
- Guarantee for full protection and security
- Fair and equitable treatment
- **Access to direct remedies through international tribunals**
- **Consent to investor-state dispute settlement**

In 1989: 385 BITs

By 2006: +2500 (if you add double taxation treaties (+2000) there are over 5,000 investment related instruments).

(The US has over 50 BITs with countries from Albania to Uzbekistan. But note that China and Brazil--the two biggest recipients of FDI but have no Investor protector agreement.)

“When someone is coming over for a visit and an ‘unimportant’ document has to be signed.”

“These are signed without any knowledge of their implications.

And when you are hit by the first investor-state arbitration you realize what these words mean.”

Makhdoom Ali Khan, Pakistan’s Attorney General

BITs are promoted by the World Bank and the IFIs and PTAs.

BITs are enforced by international arbitration (ICSID, UNICITRAL: UN commission on international trade law, ICC and dispute settlement processes in FTA)

ICSID: International centre for the settlement of investor disputes, 1966 part of World Bank group. Dormant for 30 years, now roaring with life due to BITs and RTAs

Shift in regulatory regime from the ‘Calvo Doctrine’ (seek domestic remedy via domestic court as final jurisdiction.)

Over turned by the ICSID convention.

Does not have to exhaust domestic remedies before filing ICSID claim.

No role for domestic courts in reviewing the compensation during the process.

Investor state law suits: Nov 2006: 255 (of which 2/3 since 2002)

Investor state suits. pending in ICSID: by 2007: 109 (seven are by companies with larger revenue than the GDP of the state they are suing.)

Argentina the most sued (30 cases, govt. lost 4 in last 2 years). Ecuador \$1billion settled with Occidental petroleum and Bolivia: water

(Most investor cases are over: Water, electricity telecom, waste management): 42%
Oil, gas and mineral: 29%; 7 of ICSID cases is about water)

Ruling in favour of investors: 36% ruling settled with compensation: 34%.

Why BITS and TRIMS are dangerous for development?

Preclude linking FDI to industrial policies that can lead to domestically integrated and higher value-added forms of exporting (Gereffi and Memedovic 2003).

Less ability to use FDI to Shift from assembly of imported inputs to higher value-added which was a key to East Asia's success with export-led growth (see also Japan, the Republic of Korea and Taiwan Province of China).

'All adopted restrictive policies towards FDI, directing it towards sectors that were considered desirable, ensuring that the right types of technology were transferred at the right cost, and preventing TNCs from repatriating too much of their earnings (Chang and Grabel 2004). In the Republic of Korea and Taiwan Province of China, EPZs were at first very liberalized and allowed 100 per cent foreign ownership on the condition that firms exported all of their output. The EPZs were phased out as foreign exchange constraints lessened (ibid.).

A-1: Estimates of the gender intensity of production by country and sectors in SSA

	2000	1990 GDP	1990 structure of the economy	Agricultur e	Industry	services	Share of GDP
Country	Pop. (m)	US\$ m	Agr. Ind Svs	M W	M W	M W	M W
Kenya	30.1	8,533.2	29 19 52	51.5 48.5	73 27	49.7 50.3	54.6 45.4
Tanzania	33.7	4,258.7	46 18 36	46.5 53.9	80 20	66.7 33.3	59.6 40.4
Uganda	21.1	4,304.5	57 11 32	49.9 50.1	79.1 20.9	56.5 43.5	55.3 44.7
Total avg SSA	658.3	282,945	19.9 33.7 46.9	61.9 38.1	80.3 19.7	57.8 42.2	65.0 35.0

Source: ECA May 2002 cited in Blacken 2003. <http://genderstatsworldbank.org>
(excludes informal sector)

A-2: Gender Dimensions of FDI

Investment Issues	General Impacts/expectation	Gender Dimension
Investment (strong forward/backward linkages/high leverage-competition with domestic I)	Crowd in domestic (Asia & Africa) /Crowd out domestic I (Latin America)	MSMEs
Productivity (advance technology increases efficiency and productivity of domestic firms)	▲ productivity via spillover .+ if source domestically;(-) market power conflict with domestic firms	
Trade expansion (▲ capacity of firms to export) Factors: industrial policy and local content requirement /industrial upgrading. ER effect/ Capital goods effect	Direct/indirect enhancement of export capacity. + : China and S. Korea Weak: Mexico/Costa Rica. ▲ Fex. earnings→ ▲ purchase of capital goods→enhance lab productivity	▲ Foreign capital of FDI may ▲ fex earnings→ ▲ price of exchange rate→ ▲ price of exports and ▼ in relative price of import, dampening ability of domestic producers to compete with imported goods
Employment expansion (Efficiency seeking FDI) Factors: rate of growth/ technology/labor skill/macro policy/ degree of dependence on FDI inflows) plus subcontracting and informalization*	Increase manufacturing employment (China, India, Malaysia) Less strong effect in LA (Brazil and Mexico) with the exception of the maquiladoras	Strong evidence of high employment impacts for women (East/SEA & LAC— in labor intensive export oriented assembly manufacturing--feminization) Declining trend since 1990s (De-feminization)**
Wages (inconclusive) FDI may be determined by wage but wage rate not determined by FDI. Overall + relationship Factors: bargaining power, skill composition	Causal linkages: FDI→ Dlab→ Wages Spillover effect from higher productivity and higher paying FDI→ ▲ Wages. Wages level off in LT	▲ wage inequality between skilled and unskilled workers Export-oriented employment offers women good options for work relative to their local alternatives
Working conditions No clear evidence of ‘race to the bottom’ Factors: fear of capital flight	Generally positive when compared to local alternatives***	low job security, long hours, poor working conditions, and a lack of the health and welfare benefits
Gender inequalities		

A-2 : Blackden's: Summary of Key Trade Issues and their Gender Dimensions

Trade Issue	Gender Dimension
Sector and Market Focus Export Diversification	<ul style="list-style-type: none"> ◆ Structural roles of men and women in the sector (economic opportunities for males/females in each sector} ◆ Labor force/management skills required ◆ Control over income earned
Employment Expansion	<ul style="list-style-type: none"> ◆ Structural roles of men and women in the sector ◆ Household economy (time constraints) ◆ Labor mobility ◆ Cultural/social obstacles
Productivity and Competitiveness	<ul style="list-style-type: none"> ◆ Education differentials ◆ Wage/earnings discrimination ◆ Access to/use of productive inputs ◆ Time constraints
Trade Facilitation	<ul style="list-style-type: none"> ◆ Institutional inclusion ◆ Infrastructure (transport) access
Incentive Regime	<ul style="list-style-type: none"> ◆ Differences in labor remuneration ◆ Differences in capacity/assets ◆ Control over resources and decisions
Regulatory Framework	<ul style="list-style-type: none"> ◆ Property rights (especially land) ◆ Multiple legal systems (forum shopping)
Trade and Poverty Linkages	<ul style="list-style-type: none"> ◆ Gender dimensions of poverty and vulnerability ◆ Differences in assets, endowments ◆ Skills gaps

Source: Gender & Trade Expansion in Africa:

A “Win-Win” Scenario? C. Mark Blackden

(Lead Specialist, Poverty Reduction and Economic Management Network, Africa Region, World Bank, 2003.

ⁱ As discussed in WIDER 2005, mandatory technological requirement is contentious. Antagonists stress that mandatory technological transfer is counter productive as it decreases the rate of technology diffusion. Thus they would argue more in favor of a more 'natural diffusion' of technology through training of local staff and cooperation with local firms. In this context the government would focus on the investment environment (investment in education, training and infrastructure).

Those who opposed mandatory technology transfer argue in favor of the necessity of 'market oriented policies that aim to enhance the spread of technology via mechanisms such as the movement of skilled labor, contractual arrangements between FDI and local firms, in-house R&D and competition in host markets'. Some would further seek 'stable and predictable legal and regulatory framework with adequate protection of IPR, human capital formation and competition policy.'

Proponents of mandatory transfer of technology argue that mandatory technology transfer is often necessary. They deny that it not have a significant negative effect on either the level of FDI flows or the quality of technology received by the host country. In this framework, mandatory technology transfer can play a positive role. For them, simply having good macroeconomic environment and infrastructure may only lead to exploitation of static comparative advantage. This will not result in any expansion of local technological frontier. Nor will it generate industrial upgrading, nor the creation of extensive linkages. It is therefore very important that host countries play a pro active role in inducing TNCs to upgrade technologies and to enter complex activities. Source: WIDER 2005.