

Gender impacts of international trade and trade policy

– A case study of the FTA
between Korea and the EU



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Abstract

The link between gender and trade is often complex and indirect, as it depends on various factors in the respective economies that engage in international trade. Due to differences in representation in the economy and command over resources, as well as due to various social inequalities, women and men are affected differently by international trade and trade policies.

In general, discrimination in the labour market leads to lower economic growth. However, research has shown that the gender gap is positively correlated to economic growth in the manufacturing sector in several semi-industrialised economies that use low women's low wages as a comparative advantage when competing with other countries' exports.

Women benefit from formal employment created by transnational companies (TNCs), especially in manufacturing, as they gain bargaining power and influence in the household. This change can have positive, long-term developmental effects. In the short term, TNCs often pay a wage premium to employees compared to local employers. In the long term, however, this premium is gradually eliminated, and the positive gender effect in monetary terms seems to be temporary.

Women working in the manufacturing export sector tend to have little bargaining power in relation to their employers. To a large extent this can be attributed to the high capital mobility in this sector; companies can rather easily move their economic operations where wages are low. In agriculture, trade liberalisation has quite different gender effects compared to the manufacturing sector. In developing countries, women constitute the vast majority of small-scale farmers – a group that is particularly exposed to increased competition from other countries. With regard to international trade in services, modes 1 and 4 in the GATS agreement are relevant, as they cover trade in services across borders, often through ICT, and the temporary movement of service providers across borders, respectively. Also, mode 3 can be relevant from a gender perspective, as it covers FDI, which can benefit women and men differently, partly depending on the sector where the investment is being made.

With regards to the free trade agreement between Korea and the EU, the largest employment gains for European companies are predicted in machinery, chemical products, textiles and agriculture. Except for textiles, these sectors are male dominated in Europe.

The largest employment gains for Korean companies can be expected in the automotive sector, a sector heavily dominated by men. Agriculture and services, both sectors with high female representation, stand to lose from the agreement.

Introduction

As the world economy is becoming more and more globalised, the importance of international trade is growing rapidly. While global GDP fixed prices has grown by approximately 400 percent since 1980, the value of global merchandise trade has grown by approximately 600 percent. Trade has direct and indirect effects on nations' revenues, consumption patterns and economic and social development. International trade and trade policies affect different groups of societies differently, and the introduction of a certain trade policy tends to affect producers and consumers, as well as high and low income groups differently. This makes predicting the effects of such a policy for a country as a whole a complex matter.

Last decades' developments in trade have shown that the issue of trade and gender is becoming more and more significant. Increased employment in the manufacturing export sectors in South East Asia and the unemployment in the textile sector in South Africa are two examples of how trade interacts with female-dominated sectors and affects the livelihood for women. Women and men are affected differently by international trade and trade policies due to their different representation in the economy and command over resources, as well as due to various social factors. The relationship between trade and gender is often complicated and unclear. In order to fully grasp the links between the two and formulate an appropriate trade policy from a gender perspective, a multidimensional and multi-sector analysis is required.

The purpose of this report is to highlight the different opportunities that women and men have in the global economy, and how trade liberalisations affect women and men differently. The specific aim is to analyse the free trade agreement (FTA) between the EU and Korea from a gender perspective. In order to achieve this goal, the study first provides an overview of central issues that could come into play in different free trade agreements. The study has a developmental perspective, partly since most of the links between gender and trade

are more relevant for poor countries than for rich countries, partly because most of the research in the field of gender and trade has so far been focused on developing countries.

Outline of the study

This report begins with an overview of key questions related to trade and gender. It sets out to present the different conditions that women and men face in the labour market and the theoretical discussions that are currently taking place on the subject. It thereafter analyses the issue of trade and gender by looking at different sectors, stages in development, level of social security, informal markets, and other more societal issues. Finally, the FTA between Korea and the EU is analysed from a gender perspective.

Method

This report is largely an account of research made in the field of trade and gender. This account forms the basis for the analysis of the FTA between Korea and the EU, which has its starting point in certain key issues.

In order to perform an in depth analysis of gender effects of trade liberalisation in the future – on the production as well as on the consumption side, detailed and product specific information is required. The sector analysis done on the basis of women's and men's representation and wages in manufacturing, agriculture and services gives a general picture of the components of different economies and how trade through various mechanisms affect women and men respectively. However, in order to pinpoint how a free trade agreement changes the conditions for women and men as producers/exporters and consumers/importers of different products, more detailed and gender disaggregated statistics on a product level would be needed.¹ This is not available at present.

1. Gender and the labour market

Since international trade is closely linked to the globalisation of distribution chains and the integration of labour markets, the issue of equality in labour markets is central in the discussions concerning gender and trade. On an international level, wage gaps between women and men are still substantial. In addition, the composition of women and men in different sectors is still uneven in almost every economy.

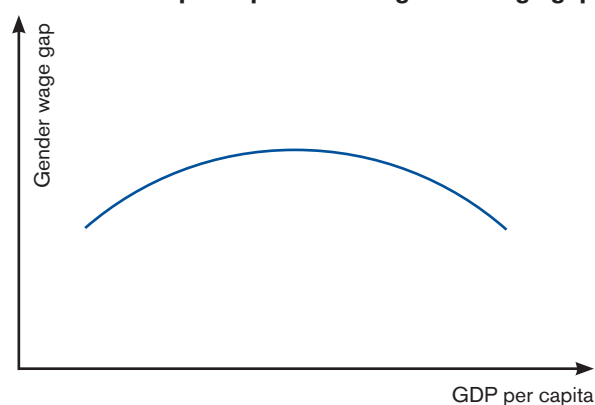
1.1 Gendered wage gaps

The global gendered wage gap was calculated to 22 percent for 2008.² It is debated among scholars why wage gaps in different economies persist. There are two different schools of thought with regards to the relationship between international trade and wage gaps between women and men. According to *the integration thesis* pleaded by neoclassical and some Marxist economists, labour markets are gender blind in the sense that wage differences between groups of people that are based on anything else than productivity can only be temporary. International trade increases competition and thereby forces companies to cut their costs, making wage discrimination expensive. Furthermore, as female labour force participation rises, women's increased job experience and limited labour supply will reduce the wage gap between women and men.

The exploitation thesis pleaded by feminist economists, on the other hand, focuses on how differences in material status between women and men affect the bargaining power in the labour market as well as in the household and on a national level. Societies are based on a patriarchal gender system, where gender inequalities such as job segregation and wage gaps contribute to capitalisation and are not likely to disappear without state intervention. Further, in export dominated countries that produce labour intensive goods, low wages are an instrument to gain external market share. In contrast to the integration thesis, wage discrimination is not seen as inconsistent with industrial competitiveness.

If one assumes that the static relationship between gender wage gaps and GDP per capita depicted in figure 1 can be translated into a dynamic change over time, this provides useful insights on economic development and gender inequalities. Even though the integration thesis seems

Figure 1. Stylised graph of the relationship between GDP per capita and the gender wage gap



Source: Oostendorp, 2009

Oostendorp (2009) examines the relationship between the gender wage gap in 63 countries and the level of development measured as the logarithm of GDP per capita, and finds that while economic development leads to decreased gender wage gaps in rich countries, the opposite is often true for poorer countries. This gives the inverted U-shape of the relationship between gender wage gaps and GDP per capita, which is consistent with the Kuznets curve over income inequality. N.B. this only provides a static picture of a certain point in time; it does not depict the development of these countries over time.

to be valid for rich countries, increased trade and investment actually leads to increased gender wage gaps for poorer countries up to a certain point, which supports the exploitation thesis.

Concerning the links between gender equality and economic growth, research has shown that gender inequality in most cases leads to lower growth. Discrimination implies that the labour force is not used fully, since employment opportunities and remuneration are not solely based on productivity, but also on gender. When comparing sub-Saharan Africa and East Asia, research indicates that gender inequality accounts for 15–20 percent of the difference in growth performance.³ This implies that there is a huge untapped potential in the female labour force in countries with large gender inequalities.

However, in the case of semi-industrialised economies, the opposite seems to be true. In both



Korea and Taiwan, research has shown that there was a strong positive correlation between gendered wage gaps and economic growth during the last decades of the 20th century, implying that wage discrimination, in particular in manufacturing, actually drove economic growth.⁴ In Korea, reduced export openness, which would actually hamper economic growth, appeared to be associated with less wage discrimination by gender in concentrated industries. This is due to the fact that the sectors that have driven Korea's economic growth are highly mobile and dependent on wages, and keeping wages low for women is a means for countries to attract investment.

According to Randriamaro (2006), there are three main factors that affect the relationship between growth and gender, in particular for developing countries:

Gender differences in access to assets limit women's options. Poor access to credit, technology and rights to own land act as obstacles for women who wish to establish a business or modernise production.

Gendered wage gaps lead to conflict in households and affect labour allocation at the domestic level. This statement is also backed up by recent research showing a positive relationship between gender wage gaps and domestic violence. Reducing these gaps could thus lead to less violence against women in the household.⁵

Gender differences in labour and other factors of productivity limit economic efficiency and output. Here Randriamaro partly refers to Klasen's (1999) findings that gender inequality in human capital allocation leads to lower growth. Had Asia and Sub-Saharan Africa given equal access to education, training and employment between women and men since 1960, their economic growth could have been up to 0.9 percent per year faster than has been the case.⁶

1.1.1 Wage and productivity

When analysing whether gendered wage gaps are discriminatory or justified, it is necessary to look at differences in wage level and compare them with differences in productivity between women and men. Only then can one truly determine the source of wage differentials. Wage differentials between women and men per se are not necessarily discriminatory, as long as it is based on performance criteria. Following the notion that real wages should be set to reflect marginal productivity – a cornerstone in economic theory – giving higher wages to more productive employees is justified.

It therefore becomes an important task to extrapolate the pure gender-related part of wage differentials. In the case of Korea, Roh's (1991) human capital analysis led to the conclusion that productivity differentials between women and men explained only 37.8 percent of the gender wage differential for the years 1975–89. The remainder was due to 'pure wage discrimination', attributed to factors that affect women's employment opportunities other than productivity, such as institutional factors and tradition. In China, wage gaps have not declined, instead the share of the gender wage gap that is unexplained by differences in productivity rose from 52.5 percent in 1988 to 63.2 percent in 1995.⁷

Measuring productivity is not a straightforward task. There are several measures of skills, such as education, age, work experience, and on-the-job training. The relative importance of differences in these is not clear, which makes it difficult to calculate the importance of human capital for production. Perhaps the most reliable measure is marginal productivity of labour, which is a theoretical term that reflects how much more output an extra work hour would contribute to total production. Marginal productivity of labour is however difficult to calculate, and little data is available on a gender-disaggregated level.

1.2 Gender composition

In most countries, women and men are unevenly represented across different sectors in the economy. Traditionally, women are more represented in the public sector as well as in the manufacturing sector, whereas men are often overrepresented in heavy industry. Catagay (2001) lists three main hypotheses that try to explain the mechanisms that are at play with regards to gender composition in the labour market.⁸ According to *the buffer hypothesis*, women enter paid employment, often on a short-term contract, during periods of labour shortages. When unemployment rises as a result of an economic downturn, they are forced to leave the labour market. *The segmentation hypothesis* suggests that women are concentrated in different sectors and occupations, and that gender composition changes only when the composite of the aggregate output changes. Finally, *the substitution hypothesis* suggests that women replace men in occupations that were until then dominated by men.

Feminist economists stress the fact that women and men have very different roles in the informal sector, and that what has so far been seen as women's work is seen by mainstream economic theory as infinitely flexible and is often made invisible. Further, structural adjustments made necessary by trade reforms often imply changes in the balance between the formal and informal sectors, and the informal sector often absorbs the initial shocks of such adjustments at the cost of extended working hours for women. The informal sector is often invisible in mainstream economics. Thus, an increase in efficiency can instead be a question of costs being moved from the formal to the informal economy.⁹

1.3 Family structure

In her analysis of female labour supply in manufacturing, Braunstein (2000) underscores the importance of family structures with regards to labour supply.¹⁰ She points at several factors affecting the productivity of nonmarket work, such as fertility and urbanisation, access to education, public provision of childcare and enforcement of child support responsibilities, as well as bargaining power in

the household, -all affecting women's labour supply. A decline in fertility rates is generally accompanied by higher female work force participation. High occurrence of male desertion and non-marital births tend to lead to lower reservation wages among women.¹¹ Increases in education raise the reservation wages of young women. Women with little bargaining power in the household may be prevented from entering the labour market by husbands who fear losing control over their wives as they gain economic independence.

A further dimension to these issues is whether families and households should be seen as one economic unit or not. In neoclassical economics, the household is seen as one economic actor, with its members sharing and pooling resources between them. The distribution of resources between family members is however often uneven between women and men, which implies that household unity can no longer form the basis for modelling household behaviour.¹²

Braunstein continues by distinguishing *patriarchal* family structures (common in countries in North Africa, the Muslim Middle East and South and East Asia) from *matriarchal family* structures (common in the Caribbean, parts of Latin America and sub-Saharan Africa). In the former category, husbands and fathers decide whether the women in the family should enter formal employment. In such a family structure, the mothers' reservation wages would probably be high, while their elder daughters would have relatively low reservation wages, since their economic value to the male household would be low. This in turn would create a large source of low-cost, young female labour for expanding labour intensive export sectors.

In the latter category, women bear a large proportion of the time and costs of raising children on their own, and decide themselves whether or not to enter the work force. Women's reservation wages are defined by two contrasting mechanisms. On the one hand, women have more autonomy than in the first category, which is consistent with a higher reservation wage. On the other hand, the increased risk and economic hardship that comes from being a sole provider of a family acts to suppress the reservation wages.



2. Gender and Trade

Even though trade policies are considered gender neutral by design, they nevertheless sometimes have strong gender effects. While trade liberalisation can lead to increased employment in some sectors, it can also lead to unemployment and restructuring in other sectors. Increased competition often has more adverse effects on poor and marginalised groups of women more than men, in particular in developing countries, where women to a less degree than men are in a position where they can confront challenges or grasp the opportunities of market integration. This is due to the fact that women tend to be disadvantaged when it comes to control over resources and accessing credit, new technologies, education and training.

When analysing the links between trade and gender in an economy, it is crucial to take the specific properties of that economy into consideration. As trade liberalisations can have very different impacts on different economic sectors, it is necessary to separate these sectors in the analysis. In addition, income level, physical capital mobility, social security and the importance of import duties and informal sectors in a country are all crucial factors to take into consideration when evaluating the potential effects of a certain trade policy. This chapter accounts for important factors in the relationship between gender and trade.

2.1 Gender, trade and economic development

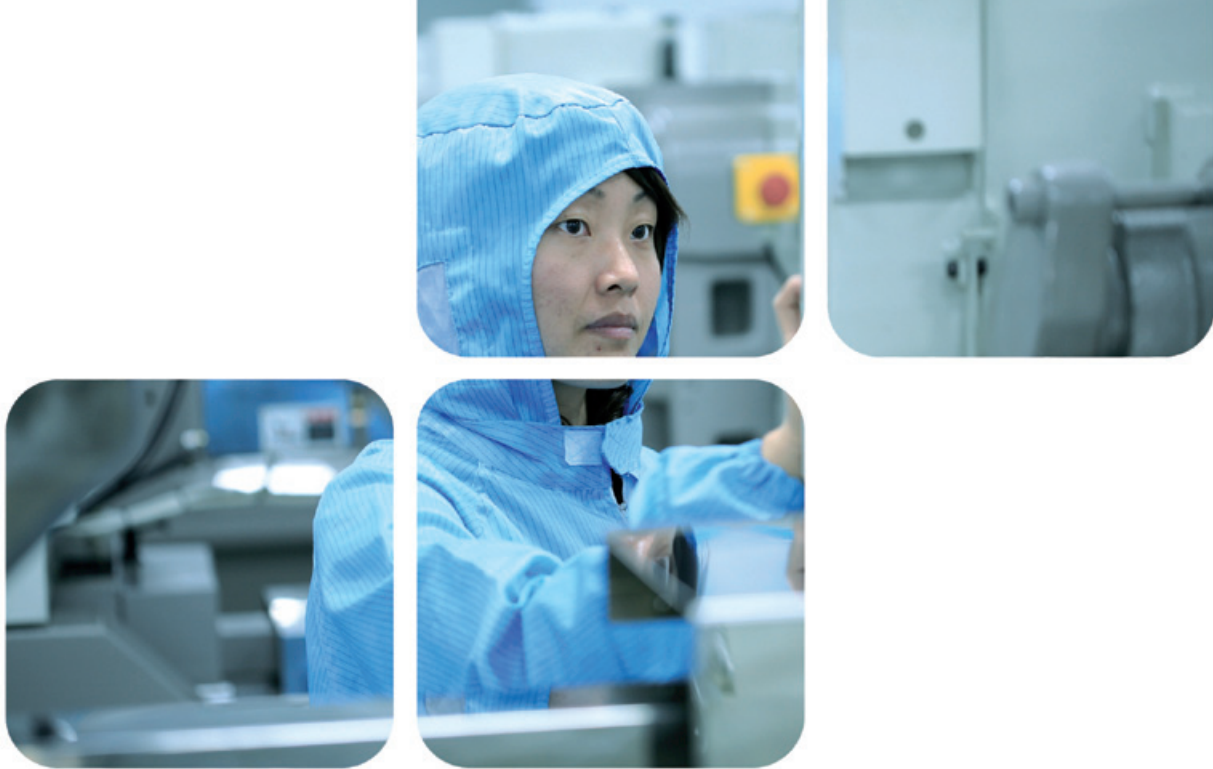
When discussing gender effects of trade liberalisations, it is necessary to take into consideration that these effects depend not only on which sectors that are affected, but also on the economic development of the respective country. Liberalisations in some manufacturing sectors, for example, tend to have positive effects in developing countries, whereas the increased competition tend to lead to job losses in industrialised countries with higher wages. It follows from this rationale that feminisation of employment may be temporary and reversed as an economy moves up the technological ladder. This is particularly obvious in the textile sector, where women tend to be overrepresented.

2.1.1 The role of transnational companies and foreign direct investment

Transnational companies (TNCs) are important employers in many developing countries, and foreign direct investment (FDI) made by these companies have played a key role in the economic growth in East and Southeast Asia and in some parts of Latin America and the Caribbean. These investments are often made by TNCs in some kind of export processing zone (EPZ) – a limited geographical area where special tax and tariff rules apply, set up to attract investment and establishment of foreign companies. As many of these companies are active in the manufacturing sector, largely in textiles and different types of assembly, a large share of these companies' employees are women. TNCs not only offer employment that would otherwise be unavailable to women, they also tend to pay a wage premium compared to locally owned firms. However, research has shown that these positive wage effects that these companies can bring to low income countries are often temporary. The wage premium is apparent in recently formed EPZs, but in zones that have already existed for some time, this premium is less significant.¹³ After 30 years of operation, the maquiladora industry in Mexico – a textile industry that employ a large number of women, no longer offers wages that are higher than in the local market.

From a gender point of view, employment in terms of remuneration is not the only factor to take into consideration when discussing the role of TNCs. The wider significance of formal and informal employment for women's lives should not be ignored. The transition from being economic dependants spending most of the time in the household to economic actors with control over their own money often leads to empowerment of women.¹⁴

Another area of interest is the nature of investment being made. Investments can be divided into horizontal and vertical investments. The first expression implies that multinational companies seek to expand to new markets through setting up subsidiaries in other countries, whereas the latter means that companies outsource production to countries where factors of production (labour, land or capital) are less costly. In the manufacturing sector most of the FDI that are made are vertical investments, whereby companies take advantage of



low cost labour. This further implies that while liberalisation may stimulate consumption demand, such stimulus can only occur as long as wages are not allowed to increase significantly.

2.1.2 Capital mobility

A decisive factor for workers’ bargaining power is physical capital mobility of the sector where they work. In sectors where international firms can easily move production from one country to another where wages are lower, workers bargaining power is often weak. Physical capital mobility depends on two main factors: demand elasticity in the labour market and the regulatory framework for foreign direct investment (FDI). Demand elasticity is the change in demand as a result of changes in price, in this case of wages. If the elasticity of demand in a certain economic sector in a certain country is -1 , a wage increase of 10 percent leads to a 10 percent decrease in the demand for labour. In Korea, for example, the labour demand elasticity was -0.93 in the period 1981–90.¹⁵ In other words, a wage increase of 10 percent would lead to a job loss of 9,3 percent.

The possibility of TNCs that invest in a country to change the destination of their investments is further dependent on the regulatory framework of the recipient country. Some countries have pursued a restrictive FDI policy in order to limit the volatility that capital mobility can bring to an economy.¹⁶

High physical capital mobility is a common property among labour intensive sectors, such as manufacturing, where women are strongly overrepresented. Generally, the pressure on firms to limit labour cost increases is much higher in these sectors than in capital-intensive industries, where men tend to be overrepresented. Also, the proximity to other eligible markets where investments can be

moved increases the physical capital mobility, as is the case in East Asian countries. Despite rapid growth in export-driven sectors relying on female labour, gendered wage gaps remain large, and have even widened in the case of Singapore.¹⁷

With regards to capital mobility, Braunstein (2006) subdivides the female labour force into four subcategories from a multinational company’s point of view, looking at the producer’s equilibrium regimes. According to reservation wage high (H) or low (L) and whether the family structure is patriarchal (P) or matriarchal (M), there are four subsets of women in the labour force.

Table 1: Braunstein’s subdivision of female labour force in countries with patriarchal and matriarchal family structures

	Family structure		
		P	M
Reservation wage	H	HP	HM
	L	LP	LM

This subdivision gains relevance when discussing public policies aimed at reducing gender inequalities in labour markets where TNCs operate. The essence of the analysis is that what constitutes the best measure to promote gender equality in the labour market depends on the nature of the female labour force in a specific country where TNCs are active, as well as the physical capital mobility in that market. Export-oriented FDI is often directed to markets characterised by LP and LM, due to the access to low cost labour. It is important to note that patriarchal families include both HP and LP, as the reservation wage for mothers is high while it is low for their daughters.

In the case of low capital mobility, an increase in women's wages can lead to increased national output and employment due to higher demand for domestic products. The increased output and women's wages are greater in HP/LP than in LM markets because the latter are less wage-sensitive for reasons mentioned in 1.3. Rises in consumer demand outweigh declines in investment demand. In countries characterised by low capital mobility, therefore, policies aimed at improving women's relative wages could be an effective way to reduce gendered wage gaps.

In markets characterised by high capital mobility, on the other hand, a decline in gendered wage gaps leads to lower levels of employment and output. Here, the decline in investment demand outweighs the positive effect from increased domestic expenditures. The loss of output and employment from higher wages is greater for the LM than the HP/LP regime, since the female reservation wage is more responsive to changes in labour demand in patriarchal markets, i.e. the elasticity of labour supply is higher than in the LM case. An alternative to increasing women's relative wages is to adopt policies aimed at raising women's labour productivity, through increased funding for education and training. Such policies attract more investment from abroad, which creates more employment, in particular in the LM case, since the added labour demand does not lead to the same amount of wage increases as in the patriarchal case.

The problem with this argument is that high capital mobility makes it easier for companies to capture the gains of increased productivity.¹⁸ This is evident in countries such as Taiwan and Korea, where the level of education among women has risen sharply for women in relation to men, but where wage gaps have remained high and even risen in some cases.¹⁹

2.2 Gender, trade and social development

Besides opening up economies to international competition, trade liberalisation implies a shift in the composition of a country's state revenues, be it more or less prominent. Liberalised trade means less tariff revenues to the state, which in turn affects the level of disposable means to finance health care, education, pensions and infrastructure. This effect varies greatly between countries, depending on the reliance on import customs in the respective country. A comparison can be made between Africa on the one hand, where the average country's state revenues were composed of tariffs to 28 percent in 2004, and on the other hand the OECD countries where the corresponding share was only 0.8 percent.²⁰

The implications of reduced or abolished tariffs also depend on several related issues. Firstly, one has to look at alternatives in terms of budgetary income posts. In countries where income taxes are easy to introduce or increase, the loss of revenue from tariffs can be made up by such measures. In many developing countries, however, institutions are too weak to effectively introduce income taxes. This problem is particularly obvious in some of the poorest countries where no real census has been made, making it very difficult to keep track of people's employment. Another problematic area is the informal sector. It is virtually impossible to tax informal markets which constitute a major part of fragile economies.

Finally, when assessing the impact of trade liberalisation for women in developing countries, it is imperative to highlight women's employment opportunities and participation in both formal and informal markets. As shown in Table 2, women's participation in non-market activities is considera-

Table 2: Gender, work burden and time allocation

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

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

When accounting for non-market as well as market activities, it becomes clear that women spend more time working than men in total, in all regions.

bly higher than men's in developing as well as developed countries. Table 2 also shows that women work more than men in all country categories, in rural developing areas as much as 20 per cent more.

The effects that increased import competition has on employees in a country also depend on the availability of social security networks, such as unemployment insurance funds and retraining. In most poor countries, access to such networks is limited.²¹ Another important issue for women as care providers is the availability of day care. In countries where such services are hard to find or are too expensive, women who enter formal employment experience an extra burden, as men traditionally do not take the same responsibility for child rearing as women, and do not take over these tasks when women leave their homes to work.

2.3 Sector analysis

In this section, three main economic sectors are discussed; manufacturing, agriculture and services. The main issue that will be discussed with regards to these sectors is how trade affects employment, representation and wage differences between women and men.

2.3.1 Manufacturing

Manufacturing is the single largest share of international production. In 1990, 16 percent of global manufacturing output was produced by companies operating in other countries than their own, either directly or through subsidiaries, a 40 percent increase from 1977.²²

The manufacturing sector has received by far the most attention with regards to trade and gender, in particular when it comes to textiles and apparel, but also assembling industries such as electronics. This is due to the fact that the manufacturing export sector, particularly in South-East Asia, is generally heavily overrepresented by women.²³ It has also attracted a large share of foreign direct investment (FDI) in many developing countries, making it a key factor in the transition of countries from agrarian to industrial economies. Many of today's industrialised countries in Europe, North America and Asia has gone through the same transition; Great Britain's development in the late 1800's being the first and perhaps most obvious example. More recently, countries in East Asia such as Japan, Korea, Malaysia and Indonesia have gone through a similar process. As a general rule, as an economy moves into manufacturing, female employment

rises. This can often be facilitated if other countries reduce or abolish their import tariffs on these products, making trade liberalisation a driving force in the growth of the sector in developing countries that can compete with richer countries through low cost labour. Conversely, such trade liberalisation often leads to job losses in manufacturing industries in richer countries, as has recently been the case for the textile sector in several countries in southern Europe.

For women in developing countries, job creation from liberalisations in the textile and garment sector can have clearly positive effects. Formal employment leads to new possibilities and empowerment for women, as they gain control over resources and their bargaining power in the household is dramatically strengthened.²⁴ Leaving home for work also has demographic effects. Compared to women working in or from the household, for example in agriculture, women garment workers tend to marry and have children at a higher age.²⁵ The number of children per woman also tends to drop as women are employed in the textile and garment sector, which in turn implies that the education level among children rises. This is particularly the case for girls, since boys are generally prioritised when choosing among children who should be sent to school. In the long term, these factors combined can lead to economic and social development, as fertility rates fall and people become more educated, leading to an increase in human capital and productivity.

It is important to note that there are exceptions among developing countries when it comes to feminisation of the female labour market from trade liberalisation in manufacturing. In particular, this is the case among African countries with less competitive manufacturing industries. Reduced tariffs on imports of labour-intensive manufacturing such as textile and clothing have resulted in job losses for workers in these sectors, who are predominantly women.

Even in other countries where trade liberalisation has led to feminisation of manufacturing, this effect has turned out to be temporary. In recent years, there has been a defeminisation in export employment in the manufacturing sector in Taiwan, Hong Kong, Korea, Singapore and Mexico. This defeminisation seems to stem from two parallel processes – tight female labour markets leading to an upward pressure on wages and competition from emerging low wage sites.²⁶

While an expansion in the textile and garment sector can have positive effects on women's situation, there are some areas of serious concern. The

sector is characterised by hard working conditions and poor labour standards. Women in garment factories are often required to work long hours with few breaks and for low wages. The average age of women employed in textile and garment industries is often low, as older women get worn down by the hard work and high tempo in these factories.

From a consumption point of view, an expanding manufacturing sector tends to lead to cheaper goods such as household items, which help improve people's material situation. If items such as washing machines and other household appliances become more affordable to households, this has a gender effect in the sense that women, who are often more engaged in household activities than men, can profit from saved time.

2.3.2 Agriculture

The gender effects of trade liberalisations in agriculture are quite different from manufacturing. This is due to differences in gender composition, factor inputs and the importance of externalities from economic policies of trading partners.

First of all, one must differentiate between high and low income countries. In developing economies, women constitute a large majority of small-scale farmers, whereas men dominate large-scale, cash crop agriculture. This is quite different from industrialised economies, where small-scale farming is less common. Compared to manufacturing, wages play a less important role in the competition between countries. Instead, comparative advantage can be found in favourable climate and economies of scale. Hence, without any import tariffs or other trade distortions that distort trade in agricultural products, countries with a favourable growing climate and effective, large-scale farming units should be the most successful exporters.

In the case of many developing countries, women are overrepresented in small-scale subsistence farming.²⁷ This fact makes them vulnerable to trade liberalisations in agriculture. Reducing or abolishing import tariffs implies increased competition pressure from other countries. This is exacerbated by the fact that much of agriculture exports from the EU and US are subsidised. Increased competition often leads to a shift from subsistence farming to cash crops, and in developing countries there is a clear gender effect, as a majority of subsistence farmers are women who have difficulties accessing marketing networks, credit and technological knowledge necessary for upgrading their production.²⁸ As a result, women in the agriculture sector often experience a loss of control over money and household expenditure.

If one accepts the notion that women and men are not equal parts in the household economy, which was discussed in 1.3, cheaper foodstuffs as a result of increased competition from food imports can however be positive for women as consumers.

2.3.3 Services

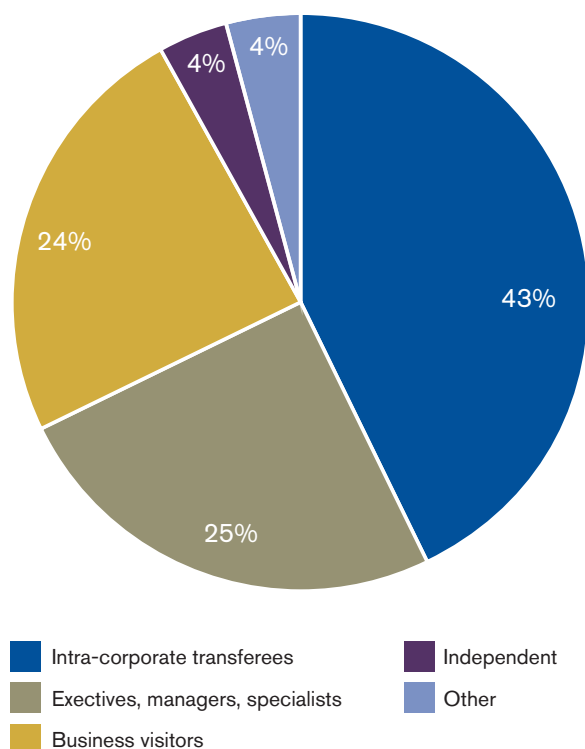
The growth of the services sector is often closely linked to the economic and social development of a country. This development can be divided into two phases. As a general rule, the move from primary production and exports to manufacturing is accompanied by an expanding services sector, which is apparent among many developing countries. Later on, as an economy moves from industrial to post-industrial production, the services sector tends to expand even further, as the economy is shifted from capital-intensive to knowledge-based production and exports.²⁹

Within the WTO General Agreement on Trade in Services (GATS) – modes 1 and 4 are often portrayed as the most relevant in the discussion on gender and trade in services, in particular when it comes to developing countries. Mode 1 involves trade in services across borders, most often through the use of information and communication technologies (ICT). Mode 4 involves temporary movement of service providers across borders. One of the most important sectors for women in trade in services under mode 4 is within different types of care services. Women are predominant in care for children and the elderly, health care services, educational services and social services.³⁰

Employment of women under both modes could potentially not only imply that they can better support their families, but also lead to employment to others to assist in domestic work and childcare. Liberalisation of these two modes could therefore have significant gender effects.

However, it is strongly questioned whether liberalisation within GATS has so far been favourable for labour market participation for women. In particular, there is substantial critique against Mode 4 for favouring only highly skilled professionals and failing to facilitate for low-skilled migration.³¹ This is confirmed by figure 2, which illustrates that a large majority of movement under Mode 4 consists of highly skilled persons and/or persons employed in international companies. According to Ramjouré (2010), a much larger amount of female movement is either unskilled or semi-skilled. This movement is generally not included in GATS or bilateral trade agreements, but is more likely to be included in various labour migration agreements.

Figure 2. Movement under Mode 4 in WTO:s GATS agreement



Source: WTO Secretariat (2008)

For developing countries, remittances from citizens who work abroad for a limited period of time is one of the most stable and significant sources of finance. It can stimulate consumption and investment and lead to reduced gender inequalities. Women make an important contribution to these remittances, and it has been proven that they send a higher proportion of their salaries back home than men.³² In addition, this type of work benefits women in particular, since it does not require any capital, which is often difficult for women to acquire.

However, service trade under mode 2 (consumption abroad, e.g. through tourism) is an alternative for service providers who cannot easily move from home to provide services, which is often the case for mothers. An example of the importance of tourism can be found in Table 3. The Maldives exceptionally high ratio of services as a share of both exports and GDP can to a large extent be derived from tourism.

With regards to mode 3, which covers establishment abroad and investment, liberalisation within this mode can on a general level be said to benefit men, as they are more likely to access the necessary capital for such business ventures. However,

Table 3. Services as a share of exports, GDP, and employment (%), 2001

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

Source: UNCTAD 2004

Women constitute a majority as employees in services, except in the low-income countries. This implies that, as an economy develops, services become an important sector for the country in general and for women in particular.

depending on the sector where the investment is made, women can benefit from increased formal employment in these firms. Such investments often also lead to spin-offs in terms of expansion in support sectors, often in services, in which the labour force is predominantly female. However, as was mentioned in 2.1.2, opening up to FDI may lead to higher capital mobility, which can have negative effects on women's wages.

Liberalisations in services trade have different impacts on exporting and importing countries. For exporting countries, liberalisations imply improved access to other markets, offering new possibilities to expand or change markets. For importing countries, the increased competition may affect actors on the market negatively, at least in the short term. In the long run, the increased competition often leads to higher productivity and better options for the consumers of services.

With regards to consumption, improved access to services, particularly in the health care and day care sectors, can be said to have positive gender impacts, since women are generally more responsible for taking care of both children and the elderly in countries with poor access to these services.

3. Gender analysis of the FTA between Korea and the EU

In this chapter, a brief account of Korea's economic development is made in order to provide a background to the analysis that then follows. Since the EU consists of 27 member states with great differences in economic, social and cultural development, no such account is made for Europe. This implies, in turn, that the analysis to some extent is more focused on Korea than the EU.

The analysis performed in this chapter is partly based on an evaluation of the agreement performed by the National Board of Trade in February 2010.

3.1 Korea's economic development from a gender perspective

Korea's economic development is quite unique; from the 1960's until now, the country has experienced a sustained economic growth paralleled by only a handful other countries in the world. Classified as a developing country 50 years ago with a GDP per capita lower than ten countries on the African continent, Korea is now considered a developed, high income country. Crucial to this fast economic growth has been the export sector, which is today on ninth place in the world.³³ The backbone of Korean exports in the 1960's, 70's, 80's and 90's was the manufacturing sector; textiles, electronics and other assembly industries – sectors heavily dominated by female workers. To a large extent, the rapid economic growth that Korea experienced during this period was driven by women.

An important factor in Korean competitiveness has been a carefully engineered state intervention; a combination of protection of selected sectors from import competition, export subsidies, concessional loans and tax breaks to firms active in these sectors, in return for achieving specified export targets.³⁴ This provided exporting companies a favourable economic climate which allowed them to grow substantially in a short period of time. Paired with restrictions on labour union activity, this strategy gave companies clear incentives to increase productivity through the adoption of new technologies and production processes, while wages were kept low, further increasing competitiveness and appeal to TNCs to invest in the country.

The manufacturing sector in Korea is characterised by a significant and persistent gender wage gap,

which continues despite increased productivity in the sector.³⁵ According to neoclassical theory, competition from international trade acts to diminish such discrimination. Korea however, like several other semi-industrialised economies, indicates the opposite; according to Seguino's findings, as the ratio of female to male wages rises, export demand declines.

Since the end of last century, the Korean export has gradually moved from labour intensive production mainly in light manufacturing toward more capital intensive and knowledge based production, as well as into services. Parallel to this shift in production, the situation for Korean has changed. Through several political instruments, women's empowerment and integration in the labour market has been promoted. In the wake of the Beijing Platform of Action from 1995, the Korean Assembly passed the Women's Development Act the same year, with the aim to eliminate discrimination against women. In 2001, the Ministry of Gender Equality was established, and was in 2005 expanded to the Ministry of Gender Equality and Family. In 2006, the First five-year Comprehensive Plan for the Development of Women resources and the Female Employment Expansion Measures were established, bringing together various government organisations to raise the level of participation of women in the workforce. Among these measures were plans to expand public child care provision and to encourage fathers to take parental leave.

As a result of these actions, Korea has seen a partial shift from a strong patriarchal societal structure toward a more equitable society where women enjoy the same rights as men. According to Korean law, women have equal ownership rights over moveable and immoveable property and equal inheritance rights over moveable and immovable property.³⁶ There is no legal difference between women and men with regards to accessing credits, which otherwise could act as an obstacle to business development. However, the prevailing lack of sufficient child care support to mothers in the workforce could constraint the positive employment effects of the FTA in certain sectors.

As regards FDI, Korea conducted a restrictive policy for inbound investment, relying instead on loans as a means to bring foreign capital to the economy. In 1990, a mere 2 percent of Korea's GDP came from FDI, a low number compared even to

most developed countries.³⁷ This regime changed after the financial crisis in 1997/98, when the International Monetary Fund demanded that the Korean Government pursued an FDI-friendly policy in exchange for credit.³⁸ Contrary to Taiwan, where manufacturing exports has also been an important engine for economic growth, gender wage gaps in Korean manufacturing narrowed slightly during the last decades of last century. At least part of this fact can most likely be attributed to Korea's restrictive FDI policy, which led to less capital mobility in those sectors.³⁹

3.2 The FTA between Korea and the EU

The FTA between Korea and the EU is one of the most comprehensive free trade agreements that the EU has ever negotiated; it is both wide in its coverage of different areas of cooperation and deep in terms of the commitments in those respective areas. The agreement will imply enhanced possibilities for trade and investment between the two parties, through abolished import tariffs, simplified rules and the removal of several non-tariff barriers (NTBs).

From the side of EU, tariffs on 95 percent of the tariff lines for industrial goods will be abolished as soon as the agreement has come into force, the remainder will be abolished during a 3-5 year period. In agriculture, 93 percent of the products will be fully liberalised when the agreement comes into force, an additional five percent after a 3-5 year period, leaving two percent that will not be liberalised.

Korea has agreed to liberalise all industrial goods except for three products or customs positions for fish. When the agreement comes into force, 86 percent of the industrial goods will be liberalised; the remainder being liberalised during a period of three, five or seven years.

For agricultural products, only 41 percent will become duty free when the agreement comes into force, for the majority of the rest the tariff abolishment will be done during a period as long as 20 years. 3,5 percent of agricultural products will not be affected at all by the agreement.

Simplification of NTBs will favour industries such as vehicles, electronics, chemicals and pharmaceutical companies.

The agreement is far-reaching from both sides when it comes to trade in services and investment – areas that according to estimates will constitute more than half of the gains made from the agreement.⁴⁰

3.2.1 Gender effects of the FTA

In her gender analysis of the negotiated Economic Partnership Agreements (EPAs) between the EU and Tanzania, Mozambique and Jamaica respectively, Fontana (2009) divides the agreements effects on these three economies into four: production/employment effects; consumption effects; gender based constraints to supply response and revenue loss. Instead of focusing only on the effects a certain trade policy or agreement could have on the production side, Fontana also sees the consumption side as relevant when evaluating the total effects of such measures. In addition to the four impacts listed above, regulatory framework for FDI has been added to the analysis of the FTA between Korea and the EU in order to provide a more comprehensive picture of how women's situation may change as a result of the agreement.

Production/employment effects

A central issue in evaluating the gender impacts of a certain trade policy is how liberalisations affect the competition in different sectors, and whether this change leads to either contraction or expansion in these industries. Resulting changes in employment is then separated between women and men. Trade in services is often particularly important for women, as they tend to be overrepresented in these sectors.

The agreement: the average import tariff on industrial goods from the EU to Korea today is 5,6 percent, while the corresponding figure for imports from Korea to the EU is 3,2 percent. The largest gains for European companies from the agreement in terms of tariff abolishment are estimated to approximately 450 million Euros in machinery, 150 million in chemical products, 60 million in the textile sector and 380 million in agriculture. Most of these sectors are dominated by men.

For Korean companies, the largest gains are expected to be in the automotive sector, a male-dominated industry, while stiffer competition is expected in agriculture and in services. In agriculture, the gender effects are likely to be negative for producers; small farmers in Korea, predominantly

women, will probably meet harsh competition from European large-scale farmers.

In services, which is a sector characterised by high representation of women in both Korea and the EU, European companies are expected to have a competitive edge toward their Korean competitors, and are likely to experience increased market access in Korea. In the short term, the Korean service sector could suffer from this competition. As long as European companies employ Korean staff, this should not have any significant effect on Korean women. In fact, there might even be positive gender effects if the sector expands as a result of the agreement. In the long term, productivity in the Korean services sector, which is only 60 percent of that in manufacturing, is likely to increase, which will benefit the consumers of those services.⁴¹

For services in health and day care, while the EU opens up for a certain degree of competition, no commitment is made from the Korean side, neither in terms of bound commitments in the agreement nor in terms of liberalisations. While this may protect Korean women from competition from the EU, a chance of more productive and accessible services in these two areas may be lost, which in turn could have facilitated entry to the work force for many women in the long run.

With regards to temporary movement of natural persons, Mode 4 in GATS, both Korea's and EU's commitments are limited to key staff and highly educated trainees.

Consumption effects

Trade liberalisations affect not only production/export in an economy; as import tariffs are reduced, consumer goods tend to become cheaper, which benefits the end consumer. As women are often responsible for purchasing household items, the consumption effects are often highly relevant for female consumers, not only of goods but also of services.

With regards to intellectual property rights, there are two issues that stand out in relation to gender in developing countries. The first issue is access to seeds, farm inputs and plants. In the last decades, companies have actively sought to patent drought and pest resistant seeds. One central issue is that plants are designed, through Genetically Modified Organism (GMO) or other technologies, to become sterile, preventing farmers from harvesting their own seeds for future harvests. Poor access to these seeds put small farmers in a situation where they have a hard time competing with large-scale farmers from other countries. Since women make up a large majority of subsistence farmers in

Korea, they are likely to be disproportionately affected by limited access to these inputs.

The second issue related to intellectual property rights is healthcare and access to medicines. The protection of patents by multinational firms has become a key issue for many developing countries, especially with regards to inhibitor drugs for AIDS. Since women are more dependent on certain medicines, for instance in reproductive health, TRIPS-related issues (Agreement on Trade-Related Aspects of Intellectual Property Rights) could have implications for women's health in developing countries.

The agreement: To the extent that women are more responsible for purchasing household and food items than men, liberalisation of these sectors, in particular within agriculture and the food industry, could have a positive effect for Korean women, as these products become cheaper and money can be spent on other things.

In addition, opening up for more competition in the Korean services sector could lead to higher productivity in this sector, which would benefit consumers of these services.

Gender based constraints to supply response

Even though trade liberalisations often lead to new economic opportunities – better access to other markets, cheaper input materials and technology transfer – women in developing countries often have difficulties taking advantages of such opportunities. Women tend to have restricted access to credit, and poor infrastructure and labour discrimination act as obstacles for small farmers, workers and micro-entrepreneurs to develop their businesses to meet international competition.

Trade liberalisation often leads to employment in some sectors and some countries, and unemployment in others. As many sectors are unevenly represented by women and men, expansion or contraction in different sectors often has clear gender impacts. In cases where women experience expansion in sectors where they are active, it is therefore easy to come to the conclusion that trade liberalisation, for example through tariff cuts, has a clearly positive effect for female labourers. It is important however to include an analysis of legal rights for women in respective country, in order to fully grasp whether women's situation is changed and how. Minimum wages, labour standards and freedom of association are factors that, if put in place and enforced, could strengthen positive employment effects from liberalised trade. Serious concerns have been raised with regards to including a 'social clause' in free trade agreements, which could act as a protectionist measure by developed countries.⁴²

The agreement: In article 13 of the agreement, both parties reaffirm the commitment under the 2006 *Ministerial Declaration of the UN Economic and Social Council on Full Employment and Decent Work*, to “recognising full and productive employment and decent work for all as a key element of sustainable development for all countries and as a priority objective of international co-operation and to promoting the development of international trade in a way that is conducive to full and productive employment and decent work for all, including men, women and young people.”

Both parties also commit to *ILO’s principles of the ILO Declaration on Fundamental Principles and Rights at Work* in 1998 of certain fundamental rights:

- a) freedom of association and the effective recognition of the right to collective bargaining;
- b) the elimination of all forms of forced or compulsory labour;
- c) the effective abolition of child labour; and
- d) the elimination of discrimination in respect of employment and occupation.

While stressing the importance of living up to these standards, both parties underline that environmental and labour standards should not be used for protectionist trade purposes.

Revenue loss

Women tend to lose more from cutbacks in public expenditure in sectors such as education and health care than men. It is therefore important to look at public revenue when assessing the gender impacts of liberalised trade. In countries where import tariffs do not have great importance to the economy, liberalisation does not necessarily have any big effects on the economy in general or women in particular. In many poor countries, however, tariffs are an important source of revenue to the state. Fontana lists following important questions for evaluating the impact of reduced tariffs:

- how much revenue that is collected from import tariffs prior to the tariff reduction;
- the relative importance of import tariffs in government financing;
- alternative taxes that the government may introduce to compensate for the loss;
- the extent to which public expenditure addressing gender disadvantage is a priority for the government.

On a general level, the impacts from tariff reductions tend to be larger in developing countries and countries that are heavily dependent on international trade. As mentioned earlier, countries with defective capacity to collect income taxes or

other types of levies to counter the loss of tariff revenue are particularly vulnerable to such reductions.

The agreement: In 2007, 7 411 billion USD was collected in customs and other import duties, which represented 3.1 percent of Korea’s total revenue excluding grants. This figure is considerably higher than European countries like Bulgaria, Greece and Ireland, whose tariff revenue as a share of total state revenue was 0.9, 0.04 and 0.04 percent respectively.⁴³ In 2008, 9.2 percent of Korea’s imports came from the EU. Assuming that this share was approximately the same in 2007, and that tariffs from EU imports are proportional to this import’s share of Korea’s total imports, roughly 0.3 percent of Korea’s state revenue came from tariffs collected from imports from the EU. Even if 100 percent of these tariffs were to be abolished, this would have a very limited impact on Korea’s government spending. In addition, being a high income country with a well-functioning tax system in place, any loss of tariff revenue would probably be easily compensated by the introduction or increase of alternative taxes.

Since the EU Member States are even less dependent on import tariffs, and have the option of alternative taxation, revenue loss from the FTA seems to have very limited gender impacts in these countries.

Regulatory framework for FDI

Another important issue is whether FDI is regulated and how. As mentioned above, physical capital mobility is a mechanism that greatly influences women’s situation in the manufacturing labour market in many countries. Regulation of FDI, through any of the instruments listed in the appendix, can have impacts on how trade liberalisation affects women.

The agreement: With regards to market access, the EU has made full commitments for opening up for investment the manufacturing sector (except for oil products), but has made no commitments in fishery and aquaculture or gas production.

Korea has made full commitments in manufacturing, as well as profound commitments in mining and agriculture (with the exception of rice growing), hunting and forestry. However, weak commitments have been made in electricity, gas and water supply and no commitment in fishery and aquaculture.

From a gender perspective, while opening up for investment in manufacturing will probably have positive effects, in agriculture this could have a negative effect on Korean small scale farmers, many of whom are women.

4. Summary and conclusions

The link between gender and trade is not straightforward; it is often indirect and dependant on factors in the respective economies that engage in international trade. Due to differences in representation in the economy and command over resources, as well as due to various social inequalities, women and men are affected differently by international trade and trade policies, even though they are considered gender neutral by design. In combination, these factors lead to segregated labour markets with differences between the sexes in representation and wages. Since employment issues are central in the discussion on gender and trade, there is a strong focus on the export/production side of international trade. However, changes in import/consumption patterns as a result of international trade can also be important with regards to gender.

From a theoretical point of view, discrimination against women affects economic growth negatively, since resources are not used effectively. However, research has shown that the opposite is true for some semi-industrialised economies, where gender wage gaps actually imply higher growth. Research has also shown that the gender wage gap tends to be higher in middle income countries than in both low- and high-income countries. The relationship between GDP per capita and feminisation of an economy and gender wage gaps respectively show some similarities, at least in the manufacturing sector. This is due to the fact that the manufacturing sector in several semi-industrialised economies uses low women's low wages as a comparative advantage when competing with other countries' exports. In order to decide whether these wage gaps are justified or discriminatory, it is necessary to calculate the productivity of women and men in a certain sector. Only then can one determine whether wage discrimination exists. Productivity can be measured differently, but research indicates that a large share of gender wage gaps in countries such as Korea and China are based on pure discrimination.

There are several hypotheses regarding gender composition in different markets, but at least in poor countries, the informal sector is an important and often forgotten part of the economy, in particular for women.

Transnational companies (TNCs) play a crucial role in the manufacturing export sector in many developing countries, and foreign direct investment

(FDI) made by these companies is often used as an instrument for economic development and industrialisation. The formal employment created by these companies benefits women, as they become empowered both with regards to bargaining power and influence in the household and in terms of choosing a husband and childbearing. This change can have positive, long-term developmental effects. In terms of work environment and labour rights, working for these companies often imply hard conditions and long working hours and the freedom of association is often restricted. In terms of employment and remuneration, TNCs often pay a wage premium to employees compared to local employers. In the long term, however, this premium is gradually eliminated, and the positive gender effect in monetary terms seems to be temporary.

Women working in the manufacturing export sector tend to have little bargaining power in relation to their employers. To a large extent this can be attributed to the high capital mobility in this sector; companies can rather easily move their economic operations where wages are low. Important in the discussion about women's wages and capital mobility is family structure. Families where the husband/father decides whether or not women in the family enter the work force are often more wage sensitive than families with women as sole providers. These differences are relevant when choosing how to approach the gender wage gaps in an economy where TNCs are active.

In agriculture, trade liberalisation has quite different gender effects compared to the manufacturing sector. In developing countries, women constitute the vast majority of small-scale farmers – a group that is particularly exposed to increased competition from other countries. The competition puts pressure on the farmers to modernise and move away from food crops to cash crops, and women who have difficulties accessing credit and new technology stand to lose more from this than men.

With regard to international trade in services, modes 1 and 4 in the GATS agreement are relevant, as they cover trade in services across borders, often through ICT, and the temporary movement of service providers across borders, respectively. However, commitments made through GATS by WTO member countries are criticised for only facilitating migration of highly skilled workers, and that



women migrants, most of whom are unskilled or semi-skilled, are not helped by the agreement. As the FTA between the EU and Korea does not extend much further than GATS, increased migration as a result of the agreement will probably be limited to key personnel and business visitors. Also, mode 3 can be relevant from a gender perspective, as it covers FDI, which can benefit women and men differently, partly depending on the sector where the investment is being made.

Trade liberalisation can have indirect, social impacts that affect women more than men. Reduced tariff revenue to the state often leads to cutbacks in health, education and social infrastructure and services. This effect varies greatly between countries with different income levels, as it depends on the share of total revenue that is collected from tariffs. This share tends to be much lower in rich countries than in poor countries. Also, poor countries often have fewer disposable means of alternative tax collection, which make them more exposed to tariff reductions.

In the case of Korea, the country's rapid economic growth has been largely driven by low-cost, female workers in the manufacturing export sector. This sector is characterised by a persistent gender wage gap, and only recently, when the sector has lost its dominating role in the Korean economy, has the Government begun to introduce political measures to improve women's situation and promote gender equality.

With regards to the free trade agreement between Korea and the EU, the largest gains for European companies are predicted in machinery, chemical products, textiles and agriculture. Except for textiles, these sectors are male dominated in Europe.

The largest gains for Korean companies can be expected in the automotive sector, a sector heavily dominated by men. Agriculture and services, both sectors with high female representation, stand to lose from the agreement. Meanwhile, large gains in productivity in services can be a welcome effect from the increased competition from Europe, which would benefit consumers.

No commitments have been made in health services from the Korean side. In the short term this may protect Korean women employed in the sector, but in the long term prevents the sector to become more productive and accessible – something that would facilitate women's entry to the formal labour market. Increased competition in agriculture will probably benefit consumers of food items, since prices are likely to fall.

The revenue loss from tariff reductions is negligible for both Korea and the EU Member States, and expenditure on health, education and social infrastructure will probably not be notably affected by the agreement.

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Appendix: Policies aimed at improving women's situation in the export labour market

Seguino (2006) outlines a strategy to improve women's relative well-being while promoting economic growth that is based on policies aimed at shifting a 'profit-led' export-oriented economy to one that is 'wage-led'. Such policies should achieve several goals, such as equal access to jobs through the elimination of discriminatory employment barriers, equality in earnings and equal distribution of household resources. There is a clear redistributive and class-oriented component in Seguino's reasoning – a redistribution of total income to women and from capitalists to women workers. The strategy has three components:

- industrial and agricultural development combined with trade policies to shift to emphasise goods and services that are price-inelastic;
- restrictions on flows of physical and financial capital, and
- fiscal and monetary policies responsive to the goal of gender equity.

The last component is a way to counter any loss of competitiveness that comes from raising women's wages. Devaluing a country's currency would counteract such negative effects on aggregate demand.

In addition, Seguino lists several other measures that can be used on a domestic level to promote gender equality:

- state policies to promote technology acquisition and educational attainment;
- provide a more equitable social safety net for women;
- public investment in infrastructure that reduces women's time spent in unpaid labour;
- legislation that facilitates male participation in caring labour.

Seguino also states that women's wages and working conditions may be improved through minimum wages and labour standards, as long as these are accompanied by technical support to companies to raise productivity.

As explained below, the manufacturing sector is central in the development of poor countries. It is therefore not surprising that several countries attempt to use FDI in these sectors as an instrument for development. Japan, Korea and Taiwan have all adopted restrictive FDI policies in order to shift assembly of imported goods for exports to high value-added products – an endeavour that

proved successful in all three countries. Through these policies, FDI has been directed towards prioritised sectors, ensuring that technologies were transferred and prevented TNCs from repatriating too much of their earnings.⁴⁴ Braunstein (2006) divides such measures into performance requirements, incentives, global labour standards and regulations on physical capital mobility:

Performance requirements

Conditions can be made for TNCs to fulfil certain criteria in order to gain market access or to get a tax break or subsidy. For example, an international company may be required to source a certain share of inputs locally; so-called local content laws. TNCs may also be prohibited to own 100 percent of a firm operating in a certain country. According to WTO's Agreement on Trade-Related Investment Measures (TRIMs), no member state is allowed to apply measures that are considered trade-distorting and therefore prohibited by the provisions of GATT Article III (national treatment) or Article XI (quantitative restrictions). More specifically, this implies that measures such as local content requirements are not allowed except during a transition period (the length of this period depends on the level of economic development of the member state: two years for developed countries, five years for developing countries and seven years for least-developed countries).

Incentives

In order to attract FDI and influence the behaviour of multinational firms, many developing countries introduce measures that benefit these companies. Incentives such as tax exemption, tariff reduction or abolishing of import tariffs on inputs and capital goods in the framework of free trade and export processing zones have become popular among various countries in East and South East Asia as well as in Africa, with varying results for the host nations. This venture is risky in two ways. Firstly, countries may give concessions to companies that would establish their operations in the country regardless of these incentives. According to Braunstein, the regulatory environment in a country is only a small part of a country's appeal, and giving such concessions would therefore be wasteful. Access to close substitutes in neighbouring countries is of course important in this discussion – it makes more sense to attract companies through

these incentives if there are several other similar countries in the same region that the international firms can choose from. Secondly, as more and more countries give incentives to multinationals, incentive competition can lead to a race to the bottom; competition through low wages, poor labour standards and loss of tax revenue. This is particularly relevant for women, as many of these incentives have so far been given to companies that are active in female-intensive industries.

Global labour standards

In order to avoid incentive competition and excessive use of concessions in developing countries, global labour standards could be introduced, in which minimum standards in terms of both workers rights and wages would be stipulated. This would also shift some of the bargaining power from TNCs to the employees in industries with high physical capital mobility, industries that to a large extent are dominated by women.

Central in the discussion concerning global labour standards is whether such standards are introducing unilaterally or multilaterally. A unilateral approach could lead to impaired competitiveness and capital flight from the country that introduces the standards. There are currently several international organisations that have introduced guidelines for codes of conduct for TNCs. For example, there is a tripartite declaration made by ILO, OECD and the UN. However, these guidelines

tend to be rights based, and do not include requirements for minimum wages. In addition, the question of enforcement is still to be solved, as it is still up to individual countries to enforce these standards.

Since incorporating global labour standards within the tripartite structure of ILO into national legislation has turned out to be problematic, it has become common to include these standards as a 'social clause' in bilateral and regional free trade agreements. This trend has received stark criticism from developing countries, as well as some developed countries, for being an expression of protectionism cloaked as concern for workers' well-being; an instrument for industrialised countries to undermine low wage economies' comparative advantage.⁴⁵

Regulating physical capital mobility

Another option when trying to avoid capital flight and enhance the bargaining power of labour (in particular women workers) relative to TNCs is to introduce regulations on capital flows, both through foreign exchange controls and a re-regulation of capital markets. This would allow for control over the timing and amount of FDI, leading to less financial fragility and making capital flight more expensive for the TNCs. Regulating capital markets could include international minimum levels of taxes, regulations and wages, aimed at levelling up rather than racing to the bottom.

Notes

- 1 In order to analyse gender effects of introduced trade policies on a product level, export and import data on an 8-digit level in the tariff nomenclature is needed.
- 2 Glenn et al., 2009, p. 9. This result is based on a sample of 300,000 individual surveys from 20 countries.
- 3 Randriamaro, 2006, p. 10
- 4 Berik, 2003, p. 18; Seguino, 1997, p. 121
- 5 Aizer, 2010
- 6 Klasen, 1999, p. 27
- 7 Gustafsson & Li, 2000.
- 8 Catagay, 2001, p. 22
- 9 Razavi et al., 2009. p. 39
- 10 Most of the section about family structures refers to Braunstein, 2000: "Engendering Foreign Direct Investment: Family Structure, Labor Markets and International Capital Mobility."
- 11 The reservation wage is minimum wage rate at which a worker is willing to accept a certain type of job.
- 12 Razavi et al., 2009, p. 39. This phenomenon is clear in the case of rural households in Sub-Saharan Africa, in particular West Africa.
- 13 Braunstein, 2003, p. 17
- 14 Kabeeer, 2000, p. 189-90
- 15 Seguino, 2000, p. 442
- 16 Other reasons for such restrictions include requirements for local content in production (see appendix) and the steering of FDI to prioritised sectors. According to OECD's nine sector FDI Regulatory Restrictiveness Index for 2010, the five countries with the most restrictive FDI regulation were: China, Iceland, Russia, Indonesia and Mexico.
- 17 Jomo, 2001, p. 4; p. 16-17
- 18 Seguino & Grown, 2006, p. 13
- 19 Seguino, 1997, p. 108
- 20 UNECA 2004, p. 15
- 21 This helps explain some of the protests against free trade agreements such as the Economic Partnership Agreements (EPAs) between the APC (Africa, Caribbean and Pacific countries).
- 22 Lipsey, 1998, p. 12
- 23 Sexton et al., 2004
- 24 Johnson et al., 2009, p. 11.
- 25 Hewett & Amin, 2000; Kusago & Barham, 2001
- 26 Seguino & Grown, 2006, p. 6
- 27 Nicita & Zarrilli, 2010, p. 209
- 28 According to Sexton et al., although 80 percent of the work in agriculture and food production in Africa is done by women, they receive less than 10 percent of the credit granted to small farmers.
- 29 This traditional model for development of an economy has recently been challenged by countries like India and Morocco, which to some extent skip the industrial step and move directly from an agriculture based economy to one that is based on services.
- 30 Tran-Nguyen & Beviglia Zampetti, 2004, p. 227
- 31 ISIS International, 19 December 2006
- 32 Tran-Nguyen & Beviglia Zampetti, 2004, p. 230
- 33 WTO Press Release, 26 March 2010
- 34 Lim, 2010; Seguino, 1997, p. 13
- 35 Seguino, 1997, p. 110
- 36 World Bank, 2010
- 37 UNCTAD, 2007, p. 267
- 38 Choong-Yong, 2008, p. 2
- 39 Seguino, 2000, p. 457
- 40 Copenhagen Economics & Francois, 2007, p. 4
- 41 OECD, 2004, p. 10, p. 34
- 42 See appendix.
- 43 Revenue, excluding grants (current LCU), World Bank's World Development Indicators database.
- 44 Chang & Grabel, 2004
- 45 Franck, 2008, p. 3-5



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