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## **Interlocking features of Trade, Gender and Poverty**

### **Context**

Trade is not new. It is as old as human economic activity. Women have played and continue to play a significant role in local trade. International trade too has an ancient history. "Free trade" is not a new experiment either it has been tried before. Prior to the advent of colonialism, the region used to dominate international trade. Colonialism distorted the terms of trade and Third World countries were transformed from being exporters of manufactured commodities to being suppliers of raw materials and a market for British manufacturers.

The import substitution policies after independence were in part guided by a need to reverse the de-industrialisation induced by colonial trade regimes. Protectionism was a necessary part of the reversal in Africa.

International trade in this era of protectionism for decolonisation was governed by the General Agreement of Trade and Tariffs (GATT). GATT is a trading agreement between signatory countries, which came into force in 1948. It was supposed to be replaced by the Havana Charter and International Trade Organisation (ITO). However, the US Congress did not ratify these instruments, as it would have meant surrendering some part of US sovereignty to the ITO as well as agreeing to forego some rights of the US Congress and the US Government in the area of trade policy.

The prevailing trade paradigm presupposes the existence of equal power relations, of equal access to resources and equal voice in economic agenda setting. The ascendance of the World Trade Organisation in 1995 as the overarching body has given rise to continued discussions detailing the historical and structural inequities that prevail unfettered in the current global trading system. Africa's unfavourable trade terms alone give rise to disquiet and these are compounded by the preponderance that the multi lateral trade regime places on economic activity at the expense of poverty eradication and socio development advancement.

Africa has been engaged in economic global activity since the slave trade exacerbated by the scramble for Africa in the 19<sup>th</sup> century.

The ongoing trade relations are part of an ongoing campaign of the North to retain access to and power over Africa's vast resources and autonomy thus it remains critical to locate these issues within a geo-political framework.

### **Key features of trade agreements**

The key features of the multilateral trade today are:

- The single undertaking

The single undertaking compels all member states of the WTO to sign on to all the existing trade agreements including those that will place them in unfair competition with more developed economies and retard or rescind national development imperatives. This contestation between a market driven model of free trade and a pro-African developmental model is manifested in the critiques on:

- the Agreement on Agriculture;
- Non Agricultural Market Access[NAMA];
- New issues [or Singapore issues] that suggest all encompassing modalities on the investment, trade facilitation , government procurement and competition policy;
- Trade -Related Aspects of Intellectual Property Rights[Trips]
- General Agreement on Trade in Services [GATS] which provides a legal framework for trade in services defined to cover a range of areas including transport, investment, education, communications, financial services, energy, water services and movement of persons.

- Binding implications for domestic policy

The scope of global trade agreements has extended into areas such as services and intellectual which until the creation of the WTO resided in the domestic domain. The agreements under the MLTR regime extend the influence of the WTO into the African domestic space. The concepts of national of sovereignty and nationhood have come into sharp focus as a result of the highly intrusive demands for national harmonisation that the trade regime makes on African nations.

- Compliance mechanisms

The global trade environment has very strong compliance mechanisms and non-compliance for African countries can lead to the WTO's dispute settlement system that is costly and is driven by extremely uneven power relations designed to ensure Africa's compliance to even the most unfavourable terms though mechanisms such as retaliation through compensatory trade action across sectors or agreements.

- Most favoured nation treatment demands that all nations are given the opportunities to access domestic markets as national companies. In theory this should be reciprocal but in reality is a mechanism for the North to access African markets unfettered.

### **Poverty in the context of Gender and Trade**

One of the challenges of addressing poverty is a fundamental one of definition. A groundswell states that true development lies beyond growth and efficiency. They go on to state that it is in fact a function of enabling dignified lives. However there remains a measure of reluctance to concede that the prevailing trade regimes need to be radically reconfigured from using market criteria and their social impact indicators to examining social relations such as gender and race which inform the context of policymaking.

The World Bank Poverty Report of 1990 defines poverty as "the inability to attain a minimal standard of living". This definition hinges on three aspects:

- A measurement of the standard of living;
- A clear conception of a minimal standard of living; and
- Encapsulating the severity of poverty in a single index (World Bank, 1990:25).

However poverty surpasses concrete living conditions and material circumstances to encompass access to processes, to tools and instruments that effect meaningful transformation. Poverty is an interlocking, multidimensional social phenomenon. Poverty can be defined as pain. Poverty can be physical pain that comes with too little food and long hours of work; Poverty can be emotional pain stemming from the daily humiliations of dependency to make choices – such as whether to use limited funds to save the life of a family member, or use those same funds to feed their children.

It is unsurprising that the World Bank's World Development Report [2000] has revised its definition of poverty to include the concept of powerlessness in addition to social and physical lack and deprivation. In terms of gender relations, powerlessness and limited access to options remain fundamental obstructions to any real sense of development. The hypothesis that this paper presents is that:

- Due to their different location within and access to resources and processes within the economy women and men are differently impacted by trade policy;
- That the consequence of these gender differences is that trade liberalisation instead of yielding the positive results may instead exacerbate social inequalities;
- That all trade and development policies should be formulated within the context of gender relations and the inequalities arising thereof.

Gender relations have been largely ignored within most development theory and practice. The role of Women as owners, as workers and as engines of social reproduction illustrates the systemic mechanisms that ensure by commission or omission that women are excluded from social development considerations. Women continue to be marginalised from policy formulation processes, from large scale income generating projects and from control over premium resources such as labour and land, which are critical for sustained economic development.

That trade has not been a force for gender equality is supported by data and even its major proponents the WTO (1995), UNCTAD (2003). UNIFEM (2005) shows the extent of the divergence as at 1995: lowest 56.04% of world population account for 4.89% of global GNP and, the top 16%, 81.34%. While the World Bank (2004) ranks more than 40 sub-Saharan African countries among the least developed, UNDP Human Development Report rank the same countries as worse performers on the human and gender development index.

## Poverty and trade theory

The current strong underpinning of Africa's trade policy on macro-economic free trade theories causes the policies to fail to look at the impact and distribution of the benefits and losses. For instance, trade policy reports provide aggregate macro-economic and trade figures and information about government policies, but do not provide information about the impact of trade on society (e.g. on workers, consumers, poor people). The reality of African women's lives, multiple burden and concerns are ignored at all levels in Africa's trade policy discussions, decision-making, negotiations, and implementation. A gender perspective has not begun to enter mainstream of the trade agenda and decision-making structures. No analysis is made of the existing potential effects of current trade policies on men and women respectively, let alone there being any such analysis of projected impacts before decisions are reached. Trade agreements and rules are assumed to have gender-neutral effects. It is assumed that women and men can participate equally in the benefits of trade, that the impacts are not different in principle between men and women, and that the rules will neither affect nor be affected by the relationship between men and women. In this way, most African countries trade policy regime can be said to be 'gender-blind'.

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## Gender analysis of Trade policy and economic growth

Systematically linking a gender-relations analysis to trade and economic policy frameworks is a difficult task, given the blindness to gender issues in economic discourse. Gender relations can be defined in terms of the interplay between historical practices that are distinguished according to masculine and feminine (theories and ideologies, including religious ideas), institutional practices (such as state and market), and material conditions (the nature and distribution of material capabilities along gender lines).

Gender relations are social constructions (social forces and historical structures) that differentiate and circumscribe material outcomes for women and men. This definition of gender relations recognizes that the interplay of race, class and sexuality underpins the form and structure of actual gender relations.

Most economic discourse is dominated by neo-classical conceptions of markets that function on the basis of perfect competition.

As a result, economic analysis is rooted, in its basic theoretical assumptions, in a gender-neutral abstraction of markets functioning with *“homogeneous labour inputs. However, markets do have a gender dimension to them. A gender-relations analysis focuses precisely on how market relationships that appear gender-neutral implicitly infer the male standpoint”*. (Whitehead, 1979; Elson, 1993).

This bias is circumscribed and shaped primarily in ways in which society organises the relationship between paid work and raising children (unpaid work). Women engaged in child rearing do not have an independent entitlement to resources and are dependent on partners, husbands and the state to meet their needs. Markets operate without recognising that the unpaid work of social reproduction and maintenance of human resources contributes to the functioning and realisation of formal market relations. The market functions because women make it possible through the many unpaid functions they conduct. Women’s unpaid work in social reproduction and family maintenance can be seen as a “tax” what women are required to pay before they can engage in income-generating activities (Palmer 1991). Ingrid Palmer argues that gender relations based on hierarchy of resources

and unequal terms of exchange between women and men lead to resource misallocation that can be viewed as 'gender-based market distortions'

### **The consequences of the trade regime on women and social development**

Disinvestment in social spending such as health care, education, water and electricity supply. Women are thus forced to take on a greater role in social reproduction. Given the issue HIV/AIDS for example, it is close on genocidal for any nation to be de-investing in the area of accessible health care. However the neo-liberal model of opening up markets subjects countries to social disinvestment. Like Structural Adjustment a generation ago the North demands that countries cut on social expenditure. It is then contradictory for the North to call for an educated nation under these circumstances.

### **Summary of consequences**

- Local businesses will be forced to compete with multi national companies before they are ready to. Already the broad experience of this is that it causes local companies out of business because they cannot compete with the low prices of imports. These low process particularly in the areas of agricultural goods are a as a result of the huge subsidies that the E.U, US and Japan for most notably provide their producers. As such there is the bizarre situation that countries are importing goods that they themselves produce. In the case of China, Thailand and Vietnam for example the economies there are fuelled by low wages and unstable and unregulated working conditions. This is not a model for sustainable growth that positively impacts o the broader population but a recipe for endless cycle poverty across generations.
- The export driven model of production forces countries to produce luxury foods for the North rather than staple foods for ourselves. This means that countries are forced to produce cashew nuts and paprika on land that used to be used for maize and wheat thus entrenching the unsustainable cycles of dependency on northern aid. The notion that opening our borders in relation to agriculture has been shown to be fallacy across Africa and other part of the developing world. Benin is struggling with its cotton industry due to over production of the US leading to plummeting cotton prices and Ghana's poultry industry has been virtually decimated.

- The notion of the Most Favoured Nation [MFN] principle means that countries in the North will be able to compete with local producers and service providers. This means that domestic policies around Affirmative Action in favour of women, youth and in Africa's case, African people will be redundant and subordinated to the WTO agreements.
- Wages are pushed down during times of economic liberalisation because of the deregulation in production. Most of these wages are those of women since we tend to be in the lowest paid, least skilled work. In most developing countries women's wages are already between 50 and 80% those of men and where the gap is narrowing it is because men are getting paid less not because women are being paid more so both women and men are the losers in this scenario. Even though there may be more work it is less skilled, more unregulated and there are virtually no prospects for promotion or career pathing.
- The notion of SDT-Special and Differential Treatment is critical in ensuring that countries can engage [or not] to their own terms in areas and sectors that they feel are able to compete. It cannot be used as a short term stop gap but rather a long term strategy. In this case the notion that trade is merely an economic activity interested in profit not a critical development instrument must be challenged. It is indeed critical to enlarge the discussion on trade to include south /south trade but the attack of the EPAs places this in great jeopardy by undermining existing sub regional configurations.
- The model of loans to Africa rather than meaningful investment intended to benefit the local economies speaks volumes to the level of unwillingness that most northern countries have in relinquishing their profits. The tax breaks that most northern investors demand from southern countries mean that Southern countries will not experience any benefits from capital that is so easily repatriated. Many of the so-called aid projects channelled towards the South by Trans-nationals and the World Bank such as roads, bridges, railways etc are in fact merely mechanisms to repatriate goods and capital back to the North.
- Policy makers in Africa have limited analytical tools in establishing the relationship between economic growth and poverty reduction. One is whether economic growth leads to poverty reduction. The other is whether economic growth is necessary for sustained poverty reduction in countries experiencing low growth rates;

With any economic policy, trade reforms have a different impact on women relative to men as a result of unequal gender relations. Increasing recognition is given to the fact that failing to take into consideration important aspects of gender relations, such as women's unpaid reproductive work, and their limited access to resources both within the household and in the wider market economy, does not lead to an accurate evaluation of impacts of economic liberalisation (Catagay, Elson and Grown, 1995).

- As Haddad (1995: 893) 'In order to participate women must own factors of production, or have access to them, and must be able to reallocate them in line with the new economic incentives that trade liberalisation precipitates'. But access to, control of, and ability to move productive economic sectors are gender differentiated.
- The majority of women in lower to middle income groups in South Africa are less likely to own or have access to resources, and they are less able to reallocate the few resources they do command. Even when export expansion disproportionately promotes female employment, it is important to assess whether the types of employment that are created are the types of employment that enhance capabilities. To the extent that some type of work is capable of depleting (by causing deterioration of health and safety) they contribute to increasing human poverty. Moreover, strategies which rely on increasing women's labour in the paid sphere without a corresponding distribution of unpaid reproductive work to men or the state sphere are unsustainable because of women's times (Catagay, 1998).
- Trade policy reform causes relative prices of goods to change. This has an impact on production/employment and consumption. Production and employment, because where the relative prices of goods change, production is expected to shift towards those goods which have become more profitable; this in turn, by altering incentives, induces reallocation of factors of production (e.g. labour) among sectors that use them with different intensities, and therefore changes in their remunerations (wage/employment effect). For example, if prices of garments relative to cars increase, more garments will be produced; as the clothing industry employs generally more labour and less capital as compared to the car industry, demand for labour and wages will go up.

- Consumption, because a change in product prices changes real incomes, with different impact on different social groups (price effects). For example if the price of meat increases relative to the price of vegetables, vegetarians become richer compared to meat eaters. Finally, another important effect of trade liberalisation is to reduce tariff revenues for the government (unless the shift is only from non auctioned quotas to tariffs), which may result in changes in the composition of government expenditure (public provision effect)

## **Gender matters**

The study of human development should move us beyond the blanket investigation of households to also examine the conditions of individual members. Vulnerability is increased due to gender inequalities resulting in limited access to productive inputs such as micro credit, control over land and property, power over income and expenditure and a gender biased labour market. Even though labour may be an abundant asset among unemployed or low /no income communities, women's control over the realisation of that labour for profit and gain is often frustrated by deficit power relations between themselves and their husbands [or fathers]. These relations may manifest through physical, emotional and verbal abuse. While gender inequalities breed intergenerational poverty of families, communities and sometimes entire nations impact on growth performance with consequences on poverty reduction and social amelioration strategies.

- Economic policies and decisions are increasingly being driven by the short-term horizon that operates within financial markets. Social reproduction and care are inherently long-term processes.
- Fluctuations in capital flows and cyclical instability disadvantage women more than men. Singh and Zammit make a strong case for re-regulation of capital of international capital flows, especially portfolio flows. For the poorest countries, which receive little external capital, debt cancellation and an increase in official aid and lending are proposed;
- Women's labour market participation and work hours increased for example during the Asian crisis, while men experienced greater "idleness" due to unemployment and shorter work hours. These results are consistent with the idea that during crisis,

women in Africa are the provisioners of last resort or the *de facto* safety net in societies which do not have social safety nets in place;

- Insufficient analytic clarity regarding the Department of Trade and Industry's (DTI) work and, in particular, its changing role during the recent period of globalisation and liberalization of economies;
- The absence of a clear conceptual understanding of how gender is linked to that role;
- Non-conducive institutional structures and ethos within which Trade and Industry Department functions;
- A weak understanding of the attitudes prevalent among those who work within our trade ministries, and how these have changed over time;
- Insufficient knowledge and capacity among women's organisation to engage effectively in trade policy debates;
- It is well documented in the literature, that women work longer hours than men throughout the SADC region, yet women's productive and social reproductive work is not recorded in the Systems of National Accounts (SNA). i.e. it is estimated that almost 60% of female activities in South Africa are not captured by the SNA, compared to 20% of male activities;
- Gendered rights to property are important determinants of labour supply allocation decisions. The growth of non-traditional agricultural export sector brings greater benefits to women if they control production and have access to markets, this may be offset by inadequate transportation, marketing structure and other physical and social infrastructure;
- Macroeconomists in most Trade Ministries ignore factors affecting the productivity of non-market work, including fertility and urbanization; institutional factors such as educational access, the public provision of childcare and enforcement of child support responsibilities; and bargaining and inequality in the household;
- A micro-level analysis shows a picture of gender based asset inequality acting as a constraint to growth and poverty reduction. Case studies in South Africa point to patterns of disadvantage women face, compared with men, in accessing the basic assets and resources. These gender differences affect supply response, resource allocation within the household, and, significantly, labour productivity. i.e. the

decline of agricultural growth in several African countries is due to gender inequality and affects food security. Several studies show that the lack of access to key inputs, such as labour and fertilizer, lead to marked productivity differentials, and different supply responses, between plots controlled by men and those controlled by women;

- Bias such as deflationary bias, commodification bias and male-breadwinner bias, influence approaches to trade policy making which emphasize market based criteria which keep women invisible in the contours of trade policy making and negotiations;
- Limited access, transparency and accountability in institutions at all levels of trade policy-making, whether it is multilateral institutions, regional trade agreements. This limits participatory approaches and denies women space for dialogue in policy formulation of trade;
- Greater exposure to the world economy has uneven effects on women and men in Africa, which are imperfectly understood, making it hard to design appropriate policies;
- The worsening HIV/AIDS epidemic in the Africa impacts negatively on women's economic position. Recent research indicates that there are complex interlinkages between poverty, inequality, and, especially gender inequality. The fact that gender inequality causes and is caused by AIDS should be a key concern for trade policy makers in Africa;
- Gender-based violence affects women's health and wealth of society at large by diverting scarce resources to the treatment of a largely preventable social ill. Some predictors of violence against women in society are economic inequality between men and women, male authority and control of decision-making in the home;
- The lack of access to land and other land-based resources, considered directly productive assets, for women is embedded in complex socio-economic, cultural, and political structures. With increased scarcity and sale of land to private companies, land and water rights for women and households is being eroded;
- Women and men have different access to paid labour. The scarcity of secure jobs as well as decent labour remuneration, i.e. men earn over twice the share received by women in South Africa. These differences between men and women create

differences in their social command over labour and resources at the household and community levels and prohibit their participation in trade. Gender inequality – in access to formal sector employment – may influence economic growth. Discriminatory access to employment for females may reduce the ability of a country to draw on its best talents, which may affect output and productivity of its formal economy;

- The labour market in Africa is highly segmented by gender. Women tend to be concentrated in sensitive sectors such as manufacturing for export, textiles and garments, where low labour costs are a crucial part of international competitiveness. Women are cited as being more desirable in the export processing zones (EPZ) or industrial development zones (IDZ) because of “their obedience and being less prone to worker unrest than men.” These sectors are also among the most insecure for women, and are prone to moving to cheaper areas of production without notification.
- Women in Africa still experience gender differences in access to financial services. Research done by the Women’s World Banking indicates that less than 2% of low-income entrepreneurs have access to financial services. Women receive less than 10% of the credit to small farmers and 1% of the total credit to agriculture. Women face gender-specific barriers in accessing financial services, including lack of collateral (usually land); and they have less time and cash to undertake the journey to a credit institution;
- Cross-regional macro data on gender differences in education and formal employment consistently shows a direct correlation between education and growth. Studies conclude that gender inequality in education and employment is estimated to have reduced *per capita* income growth in the 1960-2002 period by 0.8 percentage points per year, and appear to account for up to one-fifth of the difference in growth performance between Africa and East Asia. Women experience low levels of literacy, numeracy, education. This has a direct impact on women’s ability to participate in trade activities that enable them to compete in the market place effectively;
- Women’s lack of access to education can depress growth in several ways. By directly limiting human capital of the population and allocating scarce resources for investment in human capital on the basis of sex rather than ability.

- A major challenge for development policy is to enable a more equitable distribution of the gains and costs associated with trade. This requires a better understanding of why the benefits and costs from the expansion of world trade are not felt equally across sectors, regions, countries or social or income groups

## **Conclusions**

The question posed by feminist economists posing is whether the link between trade liberalisation and women's employment can actually lift income levels of poor women thus leveraging greater choices and empowerment. Trade reform tends to benefit the medium and large producers. Women who are often custodians of entire nation's food security are marginalised out of accruing any benefits available such as micro credit, technological advancement, business marketing training required to access new markets. Given that even economies which produce increased employment for women create tension and competitive among women and between women and men, job losses in the informal sector are most likely to affect women. This is due mainly to the concentration of poor women in low skill [and low paid], labour intensive industries largely in formal and unregulated. It is a great irony that the increase of women's employment is occurring when workers' rights are generally diminishing largely as a result of labour market deregulation intensified by government imperatives to remain competitive in a globalised world.

In order for trade policy to contribute to such an endeavour it must also be a key cornerstone in a broad based development-centred approach that creates mechanisms to stop the haemorrhage of funds from poor to rich people and poor to rich countries via interest, dividends, debt services and unfavourable terms of trade liberalisations, but must also focus on the eradication of poverty and the economic and social empowerment of women.

Such attempts are not automatically supported, however, and in fact may be contravened or contradicted by conventional growth oriented trade liberalisation strategies that emphasised capital and profit accumulation, structural adjustment and perpetuation of external debt.

As such more deliberate and strategic state and policy interventions are critical across the continent to enable the concrete living conditions of women and to be concretely, qualitatively and quantitatively enhanced.