Improving gender outcomes for regional trade programmes

Dr Kamilya Suleymenova, University of Birmingham
Dr Irina Syssoyeva-Masson, University of Savoy Mont Blanc & Association CEMAFI International

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Question

What policies have helped to improve gender outcomes for regional trade and connectivity programmes? Particularly consider applicability to South Asia.

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1. Overview

Global trade and regional integration have gender-specific outcomes: in developing countries and specifically in South Asia, women do not have the same access as men to benefits of trade. This report reviews the gender outcomes of trade and describes policies and initiatives tackling the three main gender-based barriers to benefiting from trade: (i) sociocultural norms, (ii) legal barriers, and (iii) social and human capital disadvantages.

There is significant evidence that trade has a positive impact on women’s employment, but the impacts of trade on wage equality and women’s wellbeing are not as clearly positive; men and women do not have the same access to the benefits of trade. The barriers to equal access to these benefits can be summarised as:

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Sociocultural norms, which are embedded in everyday practice and assign gender-stereotyped roles to women, who thus are less able to engage in a formal productive activity, or obtain equal treatment when engaged in business. Such norms are particularly strong barriers in South Asia.

Legal barriers, which reinforce gender-stereotyped behaviour, formally prevent women having equal rights such as property rights, access to information, and access to all types of activities, and create disincentives for women to engage in trade since they cannot be sure that they will benefit from it.

Human capital barriers, often rooted in sociocultural norms, limiting women’s access to education and networks which are essential for successful and expanding trade activities.

Gender-based barriers to realising benefits from trade in South Asia include very strong gender stereotypes, exacerbated by the existence of the caste system, and tight constraints on labour mobility (inter-sectoral and hierarchical). The evidence of female participation in regional value chains shows that women are much less integrated than men in trade processes and their benefits are severely limited.

Policies aim to overcome each of the types of barriers:

- Social policy, aimed at the gender improvement of informal institutions and norms;
- Legal protection policy, which should focus on providing protection and reinforcing property rights, allowing women to gain access to credit;
- Human capital policy, aimed at the improvement of women’s health & education.

National and international public and private initiatives aim to improve female access to trade benefits, but examples of strong successful gender-centred regional trade policies are rare. Successful policies share the following characteristics:

- They target women as owners of small businesses, and include facilitation of formal and informal arrangements
- They create and encourage engagement in specific networks facilitating access to information and skills, demonstrating role models; and
- They facilitate access to finance and legal protection.

Potential partner organisations for future projects could be found among: World Bank, UNCTAD, ITC, USAID, Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank; and region-specific partners as the Bangladesh Dalit and Excluded Rights Movement and the International Dalit Solidarity Network.

Several difficulties characterise the literature and the collection of evidence:

- data are limited and some of the critical outcomes (inequality, informal or unpaid work, but even more so, women’s wellbeing and policy preferences) are very difficult to measure accurately;
- due to lack of data and difficulty of access, the evidence-based literature, particularly studying South Asia region, is found to be rather limited;
- due to developmental challenges, different political & social priorities, as well as slow integration of the South Asia region, the policies aimed at improving specifically gender outcomes seem to be relatively scarce, although the improvement trend is marked.
These challenges and the concentration of data or policy example over the most successful regions (Bangladesh being the typical example) have to be noted as limitations of this report.

2. Theory and worldwide experience

Traditional economic models suppose that trade benefits all participants, and particularly underline that trade benefits workers in developing countries (Dollar & Kraay, 2004). However, the standard assumptions on which these models are based are heavily critiqued, particularly with respect to their gender-neutral approach (Durano, 1999). It is also recognised that gender inequality leads to the inefficient allocation of economic resources (UNDP 2002, Elson 1997).

The gendered approach to trade started to significantly develop only relatively recently. Some theoretical models (such as Akerlof & Kranton, 2000) take identity into account and could be adapted for the evaluation of gender-specific outcomes. The overall effect of trade on gender outcomes is not yet fully established and literature shows mixed results (Korinek, 2005; Oostendorp, 2009; Pieters, 2015). However, it is demonstrated that men and women have different experiences of international trade outcomes (Papyrakis et al., 2009).

Gender-specific outcomes of trade

Increased trade has gender-specific outcomes. Particularly in Africa and South Asia, women are less able to enjoy benefits of trade and have less good job opportunities (IANWGE, 2011). Gender-specific trade outcomes can be separated into three broad categories: (i) employment, (ii) wages, and (iii) human and social capital development. The empirical results concerning female employment have been found uncontroversial in the surveyed literature; the largest ongoing debate concerns the impact of trade on the gender wage gap, and the available research on human capital, and particularly social capital, is relatively limited due to measurement issues.

More trade means more female employment

There is clear consensus in the literature that female employment has increased as the result of globalisation (Van Staveren, 2002; Korinek, 2005; ILO, 2013). However, female employment is different in many aspects to male employment. On the demand side, these differences on the labour market concern the type of jobs women are more likely to be offered and the sectors which have a large share of female employment. Women are more likely to accept lower paid jobs, more “flexible” or precarious jobs (including part-time, etc.) (Standing, 1989; WDR, 2012; ILO, 2013).

The literature (among others: Cagatay & Ozler, 1995; WDR, 2012) concludes that globalisation has resulted in the “feminisation of labour”. However, the participation of women is focused on selected sectors (Dong et al 2016). This is particularly visible in the textile sector (Cagatay, 1996) and in agriculture (Joekes, 1999; Ventura-Dias, 2010). The agricultural sector presents several specific challenges. First, while overall employment for both males and females is decreasing (ILO, 2013), the number of females employed is relatively larger but it is also more likely to be underestimated and unpaid (Garcia, 2005). Second, the protection of property rights, both de jure and de facto, is particularly important in this sector (UN Women, 2016). As underlined in all of these reports, female land owners face legal and cultural barriers that make effective ownership dependent, difficult or impossible.
Gender outcomes are very context-specific, depending both on initial conditions and on public policies (Cagatay et al., 1995; Razavi, 2012). Korinek (2005) insists that the gender outcomes of trade are also different in the short term (increased vulnerability of female employment) and long term (improved gender parity). Most interestingly, Safa (1999) underlines that an increase in employment does not necessarily mean an increase in wellbeing.

The impact on gender wage gap is less clear

There is no theoretical consensus about the effects of international trade on the gender differential in wages; trade liberalisation may have a widening as well as narrowing effect on the gender wage gap. A large body of empirical literature concludes that following globalisation, the overall wage gap is reducing (Korinek, 2005). However, this conclusion is controversial and methodological debate is ongoing (Durano, 1999; Van Staveren, 2002).

From the theoretical neoclassical point of view, free trade leads to increasing competitive pressures which should make it more costly for individuals and firms to discriminate based on gender (Becker, 1971). In other words, discrimination against female workers should diminish over time with increased competition. In addition, progress in trade openness and integration will normally expand job opportunities, with an increasing number of women being absorbed in export-oriented industries (Ozler, 2000). Further, the Heckscher-Ohlin model of trade, which predicts that factor prices will be equalised among countries that trade, also points out that an increase in trade openness will provoke a decrease in the gender differential in wages. According to this theory, countries abundant in unskilled labour tend to specialise in unskilled labour-intensive exports. Thus, demand for lower-skilled labour will rise and the wages of unskilled labour will therefore increase relative to skilled labour. Theoretically, as women are more often employed in lower-wage and lower-skilled jobs than men, increased trade will increase their wages and reduce the gender wage gap.

However, trade liberalisation may also worsen the gender wage gap. In a more integrated (but also more competitive) world economy export-oriented firms usually compete on cost reduction and therefore use the wage differential as a competitive tool. From this perspective, the bargaining power of unskilled workers will not increase, while that of skilled workers will rise. Because in many developing countries men have, on average, higher levels of education and labour skills than women, this would lead to a widening of the gender wage gap.

Empirical research on the impact of trade on the gender wage gap uses mostly country-level data, and results are mixed.

A significant body of empirical literature concludes that following globalisation, the overall wage gap is reducing (see also Korinek, 2005). Some studies support the idea that trade openness reduces gender wage discrimination (Artecona and Cunningham, 2002; Juhn, et al., 2014). A cross-country study (Oostendorp, 2009) argues that trade liberalisation is associated with narrowing gender wage gaps (at least in richer countries). Fontana and Wood (2000) find that trade liberalisation in Bangladesh narrowed the gender wage gap with an increase in female-intensive manufactured exports such as clothing. Artecona and Cunningham (2002) examined the change in the gender wage gap in the manufacturing sector in Mexico over the trade liberalisation period (1987-1993) and found that trade liberalisation led to a decrease in wage discrimination, and that the gender gap decreased more in industries that were more affected by trade than in other industries. These findings support Becker’s theory of discrimination according to which firms that are competitive do not have the profits to wage discriminate.
Other studies, however, argue that trade liberalisation increases the gender gap (Berik et al., 2004; Chamarbagwala, 2006; Menon and Rodgers, 2009; Bøler et al., 2015; Dong et al., 2016). A study by Berik et al. (2004) of the impact of competition from international trade on the gender wage gap in Taiwan and South Korea between 1980 and 1999 showed that greater international competition in concentrated sectors was associated with larger gender wage gaps, i.e. associated with wage discrimination against women. Similar findings were obtained by Menon and Rodgers (2009) for India over the 1983-2004 period in an analysis of how increasing competitive forces from India’s trade liberalisation affected women’s relative wages and employment. Contrary to the neoclassical theory, their results suggest that increasing openness to trade was associated with larger wage gaps in India’s concentrated manufacturing industries.

This disparity of results can be explained with the help of Korinek (2005) and Higgins (2013): **trade leads to the increase of inequalities or polarisation.** High-skilled female workers are likely to benefit from trade, and for these type of workers the gender wage gap is reducing; however, low-skilled workers see the wage gap increasing and/or experience deterioration of their working conditions. It is important to underline that women are more likely to be low-skilled workers; they are also likely to be replaced by men when the job type changes and more skill is required in competitive industries (Ozler, 2000). This is partially confirmed by a cross-country study by Oostendorp (2009) which investigated the impact of international trade openness on the gender wage gap for more than eighty countries from 1983 to 1999. This study suggests that within occupations (low-skill vs. high-skill occupations), increasing trade is associated in richer countries with narrowing gender wage gaps. However, it finds little evidence that trade also reduces the occupational gender wage gap in poorer countries. Similarly, Chamarbagwala (2006) finds that international trade in Indian manufactures benefited skilled men but hurt skilled women. A more recent study by Juhn et al. (2014) also suggests that trade openness (via tariff reductions due to the NAFTA) raised female wage bill shares in blue-collar jobs and increased female employment for blue-collar workers in Mexico. However, this study does not find any evidence that trade liberalisation improved relative outcomes of women in white-collar occupations.

Vijaya (2003) insists that the existence of low-skilled jobs in export-led sectors for women can become a trap, as women will be pushed into this employment and not motivated to increase their skills in order to find a better opportunity. This is consistent with the evidence and recommendations as described by Bhattacharya & Rahman (1999) for the case of Bangladesh.

**The impact of trade on human and social capital is limited**

A literature review compiled by Higgins (2013) showed mixed impact of trade on female social and human capital. We can identify two trends: closing of the gap in education and mitigated impact on wellbeing.

An analysis of evidence from 70 countries suggests that trade increases gender equality in education (Schultz, 2006). However the author warns that these conclusions may be less applicable to resource-exporting countries. This is explained by the lack of motivation to invest in women’s skills. Gender equality in education has also been found to be increasing in Bangladesh (Heath & Mobarak, 2015) and in China (Dong et al., 2016).

One important outcome of international trade for women’s wellbeing is difficult to measure: Dong et al. (2016) estimate that after China’s access to WTO, women who had greater access to employment also enjoyed on average more freedom, autonomy and bargaining power within the
household. However, the same authors find that women’s personal time has suffered, as women are still having a larger share of household tasks. Notably, an increase in formal employment doesn’t always lead to a direct enjoyment of wages: Elson (1999) finds that in Bangladesh and Pakistan women are likely to give their earnings to men.

Gender-based barriers to trade benefits

The barriers for women to engage in trade activity or barriers to enjoy the outcomes of trade activity are well known (see for example Pozarny, 2016). Gendered barriers to full or equal enjoyment of trade benefits can be split into several categories. They are interlinked and many are founded on social norms:

- **Sociocultural norms**, which allow or encourage discrimination of women. These barriers can take many forms; they are embedded in everyday practice and may or may not be reflected in the legal system. In practice they assign a specific gender-stereotyped role to women, who thus are less able to engage in a formal productive activity, or obtain equal treatment when engaged in business. In terms of trade, sociocultural norms may prevent women from any formal activity; even more commonly these norms are likely to transfer the enjoyment of the benefits from trade to men. When sociocultural norms allow women to engage in trade, the power balance is likely to assign them to the less advantageous jobs than men.

- **Legal barriers**, which are similar to sociocultural barriers but reinforce gender-stereotyped behaviour and formally prevent women having equal rights such as property rights, access to information, and access to all types of activities. Legal barriers may limit women’s freedom of movement or deny women the opportunity to exchange goods & services (for example, if they do not own land or firms). More importantly, legal barriers are likely to create disincentives for women to engage in trade, if they are not certain to be able to benefit from it.

- **Human capital barriers**, which are often rooted in sociocultural norms: women have less access to education and networks, essential for successful and expanding trade activities.

These categories can be broken down to give the following examples to describe numerous structural barriers in South Asian countries that prevent women to benefit from trade (UNDESA-DAW, 2009; IANWGE, 2011):

- limited access or total inaccessibility (in some countries/regions\(^1\)) to information, education and skills for women and girls; women’s restrained access to new technologies for production and to on-the-job training which prevents them from accessing trade-related activities;
- existence of workplace gender stereotypes, i.e. women are assumed to be better suited only for certain types of work (very often for repetitive and manual work such as sewing in the garment sector) preventing women from accessing benefits from trade in other sectors;

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\(^1\) “… tremendously high populations of young children, mostly girls, are still deprived of educational opportunities. Gender inequality, particularly in education, reached its peak during the Taliban era, i.e. “under the Taliban, the majority of girls’ schools were closed and gross enrolment fell from 32% to just 6.4%.” (Shayan, 2015).
• absence of or limited upward mobility due to the occupational segregation\(^2\) that often leaves women in unpaid or lower-paying positions, similarly preventing women from equal enjoyment of trade benefits;
• *de facto* and/or *de jure* discrimination against women in control over economic and financial resources, productive assets and access to financial services, which prevents women from engaging, formalising and expanding their trade activities;

Often, gender barriers are self-perpetuating: lack of positive social consideration leads to low educational levels and lower skills for women and, therefore, very often limits their employment opportunity to the informal economy (Fontana, 2009), where paid and unpaid work can be more easily combined, or they can be forced to stay at home. This, in turn, limits women’s political voice and affects the next generation. Female participation in policy decision-making is crucial for the promotion of women’s interests and for increasing their share of benefits from trade. The evidence of gender-specific perspectives on policy issues and on trade policy in particular is gradually informing female-targeted policies and institutional practice (True, 2003; Lombardo, 2003).

**Policies addressing gender and trade**

As underlined by UN Women (2016), policies have to address both *de jure* and *de facto* gender discrimination reducing the barriers listed above. Randriamaro (2006) advocates for a GAD (Gender and Development) approach for all public policies. Higgins (2013) identifies four key areas of policy improvement: (i) gender-centred analysis of the production chain and added value; (ii) support of access to property rights and related access to financial resources; (iii) support of female-friendly trade networks; and (iv) support of female education. A more detailed step-by-step Africa-centred policy recommendation list is given by UNDP (2008).

Proposed policies can be grouped as follows:

- **Social policy**, which should be aimed at the gender improvement of informal institutions; this can be done through the support of female networks, but also through information campaigns encouraging shared household responsibilities (Higgins, 2013).

- **Legal protection policy**, which should focus on providing protection and eliminating exploitation (IANWGE, 2011) as well as reinforcing property rights, particularly for land. This should allow women to gain access to credit and give them the ability to invest. The legal protection policy has to be effective both *de jure* and *de facto*, taking into account possibilities of personal violence, local property rights customs, as well as laws. The legal protection policy should also aim to reduce gender discrimination in access to finance\(^3\).

- **Human capital policy**, which should be aimed at the improvement of women’s health, education, skills and access to technology (IANWGE, 2011)

These three types of policies contribute to creating a female-empowering environment where women will be able to formulate and enforce their demands for trade policies and participate in lobbying/negotiations (True, 2003). The case of China shows that public policies have to be

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\(^2\) Which is the distribution of people across and within occupations and jobs, based upon demographic characteristics, most often gender.

\(^3\) Supporting women’s access to finance can also be seen as a separate policy, it has wide economic benefits with impact on access to international trade and local development. For a review on trade promotion of female owned firms see Pozarny (2016).
specifically gender-oriented: general inequality policies (e.g. addressing regional inequalities) are not likely to be as effective (Dong et al., 2016). While Chinese government policies and laws, as well as the Communist background, protect equality in the labour market, women are still discriminated against with respect to their gender, marital status and age (Dong et al., 2016). Cook and Dong (2011) found a few years earlier that even public sector restructuring led to gender discrimination.

Baliamoune-Lutz (2006) and UN Women (2010) give the example of female participation in trade in Sub-Saharan Africa. The share of income provided by women engaged in cross-border trade is estimated as large and valuable for household survival (Gamberoni & Reis, 2011). However, this trade is often informal and not supported by local policies or institutions, leading to vulnerability of trade links and of the women engaging in trade. UN Women (2010) calls for further support and recognition of formal rights of female cross-border traders and de facto implementation of trade agreements. This is particularly challenging in areas in conflict. This recommendation is in line with World Bank recommendations (Mason & King, 2001): any gendered public policy has to take informal work into account.

While the majority of authors focus on domestic policies to promote gender equality, Busse and Spielmann (2006) examine the effectiveness of international sanctions. The authors conclude that ILO surveillance and monitoring are more efficient tools than sanctions, which could be used as a political and protectionist tool.

It is interesting to note a standout perspective of Sequino (2000a, b). While the consensus is that a gender wage gap has a negative impact on economic growth and development, Sequino (2000a, b) as well as Gamberoni & Reis (2011), suggest that a gender wage gap can promote growth for export-oriented economies, at least in the short run, as women’s low wages constitute a comparative advantage. The existence of such a perspective, called “sad” by the author, helps explain resistance to the implementation of gender equality policies. This is consistent with Elson’s (1999) observations that gender imbalance in the labour market may persist in the long run while it is profitable and not discouraged by institutional reforms. In other words, public policies are crucial to improve gender outcomes of international trade.

**Examples of successful policies**

Examples of strong successful gender-centred regional trade policies are rare. The majority of examples include specific initiatives supported by international organisations, rather than local public policies. Successful policies have the following features in common:

- They target women as owners of small businesses, and include facilitation of formal and informal arrangements
- They create and encourage engagement in networks facilitating access to information and skills, and demonstrating role models; and
- They facilitate access to finance and legal protection.

One of the first examples of a successful government policy is Uganda’s National Export Strategy (UNES) (2007). This strategy identified agricultural and textile products as areas of priority and had a distinctly gendered approach (ITC, 2009). The core aim was to promote “the economic role of women” and increase their share as business owners (40% of the private sector is owned by women). In line with policy recommendations listed in the previous section, UNES...
included specific support for women to access finance and improve land property rights; specific actions were centred on “enhancing rural women’s capacity to increase production” and promoting women’s ability to export. The Uganda Women’s Entrepreneurs Association Limited is a key partner and Ethical Fashion is one of the most successful programmes (OECD, 2011).

Uganda also provides an example of a multi-stakeholder initiative promoting women’s integration into global trade. Randriamaro (2006) reports that the Inter-Institutional Committee (IITC) promoted participation of civil society in national trade policymaking, including in the elaboration of governments’ positions in WTO negotiations. The IITC, set up with support from UNCTAD, WTO and ITC, provided institutional support on the multilateral trading system (MTS) to national policymakers. In 2003, through IITC, gender issues and demands were successfully integrated into the Government’s position at the WTO Ministerial Conference (Cancún), and some of these advocates participated as part of the Ugandan delegation. Randriamaro (2006) notes large efforts were made to foster trust and collaboration between trade ministry bureaucrats and civil society. IITC also has links with transnational civil society networks, which coupled with their involvement in domestic politics, has been noted as key to their success.

A number of successful initiatives can be found in Chile (APEC, 2017a), highlighting the support of women’s networks. The National Women’s Service (SERNAM) proactively encourages women to engage in networks facilitating (i) access to finance (Association of Banks and Financial Institutions); (ii) access to markets (among them Women Entrepreneurs, Family Business Network); access to skills for business and innovation (such as Women Who Code, The National Federation of Small and Medium Enterprises Trade Unions known as CONUPIA); and (iii) encouraging women’s voice and leadership (Women Corporate Directors). There are also initiatives supported by private firms (e.g. Global Women Entrepreneur Leaders supported by Dell) or non-profit organisations (e.g. International and National Finance for Women, ComunidadMujer, etc.), which focus on the same goals. Government agencies and services also support these goals. The Export Promotion Bureau of Chile (ProChile) aims to help female-owned SMEs with two initiatives PYME Exporta (industry and services sectors) and Agricultura Familiar Campesina (export of agricultural products). Both initiatives have a gendered approach (Mujer Exporta programme, ProChile, 2017) and help women to “internationalise their business” (APEC, 2017b).

Jauregui (2017) gives the example of OWIT Peru (subsidiary of the International Organisation of Women in Trade), an organisation promoting women’s access to education, information and trade networking opportunities (OWIT PERU, 2017). Another example is the International Trade Centre project “Empowering Peruvian Women Business Enterprises” in alpaca garments, aiming to connect women-owned businesses to the USA market, involving PromPeru (Peru’s export promotion authority), ISUR (Instituto del Sur), Direcetur Puno (Dirección Regional de Comercio Exterior y Turismo Puno) and Amcham (American Chamber of Commerce in Peru). Their main activity is supporting the training of women on market requirements. PromPeru also organised an export promotion event for women-owned businesses to join up with buyers which has resulted in potentially productive trade relationships.

The Malaysia External Trade Development Corporation (MATRADE) started in 2005 to promote the emergence of women exporters in non-traditional sectors using a successful
multidimensional approach to promoting entry of women’s firms into export trade.\textsuperscript{5} MALTRADE adopted approaches including personalised coaching, product and service marketing support, skills enhancement, and other export readiness services. Programmes connect exporters with financial institutions and other support groups to stimulate growth. Business coaching is complemented with trade finance, market and commercial information. In addition, MATRADE contributes to tackling cultural barriers and gender bias, conducting gender sensitisation training for officials dealing with women in trade for customs, licensing and inspection (ITC, 2015b).

In 2015 the International Trade Centre issued a Call to Action “Connecting 1 million women entrepreneurs to market by 2020” or the “SheTrades” initiative (ITC, 2017b), part of large “Women and Trade” programme. The list of projects includes East and Central Africa, Zambia, Ghana, Palestine, Ethiopia, Mongolia, and the Pacific region.

3. South Asia

South Asia\textsuperscript{6} is one of the most **dynamic and fastest growing** regions in the world, with a population of 1.74 billion people and economic growth of around 7 percent over the last decade (World Bank, 2017a). However, it is also **one of the least economically integrated** regions of the world. It also should be stressed that South Asia is home to more than 40 percent of the world’s poor (World Bank, 2017a). In addition, according to the World Bank (2017), many countries in the region suffer from extreme forms of social exclusion and huge infrastructure gaps, and increasing inequality in the larger countries.

Gender bias, i.e. gender-discriminatory practices in economic, social, legal and political spheres, remains omnipresent in South Asian countries. As underlined by the last regional Human Development Report published by the Mahbub ul Haq Research Center (2016), despite the considerable progress made over the last decade and a half in women's social, economic and political empowerment that seems to reduce gender bias (especially through education and health), women in South Asia remain invisible in economic and political spheres. An increase in women’s educational attainment\textsuperscript{7} has not been matched by rising participation of women in the labour force.

According to the same report, the region has the lowest female labour force participation rate in the world (30.3 percent) and 84% of employed women in the region are in vulnerable employment. Due to employer discrimination women earn significantly less than men. In trade, women in South Asian countries are among the more invisible small and informal traders facing serious risks and losses, confiscation of goods, stigmatisation, violence, harassment, undue taxation and poor working conditions.

In addition, this apparent progress in South Asia masks not only the inequality in opportunity for women in overall, but also across women belonging to different socio-economic, ethnic and religious groups. In fact, the social system of South Asian countries is still dominated by patriarchal structures and women from minority communities, or women of different colour or faith are subject to discrimination.

\textsuperscript{5} This example is taken from Pozarny 2016

\textsuperscript{6} Data presented here are for Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, India, Pakistan, and Sri Lanka.

\textsuperscript{7} Which is rather heterogeneous since regionally, indicators of female education are the best in Sri Lanka and the worst in Afghanistan and Pakistan.
Regional integration and trade

A long history of mutual mistrust prevents South Asian countries from reaping the economic benefits of geographical proximity, intra-region trade and complementary resource endowments. Exports account for only around 10 percent of GDP, which is less than in all other regions except Sub-Saharan Africa. In addition, trade is heavily biased towards extra-regional markets. Nearly all South Asian exports go out of the region, with only a very small fraction traded among neighbouring countries.\(^8\) Intra-regional trade represents only 5 percent of South Asia’s total trade (compared to 25 percent in ASEAN), and intra-regional investment counts for less of 1 percent of overall investment in the region (World Bank, 2017b).

The quasi-absence of intra-regional trade can also be explained by limited transport connectivity between countries and by regulatory and logistical barriers. Trade between South Asia’s countries and other regions of the world is less costly than trade within South Asia. The infrastructure necessary for trade is still insufficient in South Asia (Brooks & Hummels, 2009).

Current regional cooperation

Because of past political conflicts and mutual distrust South Asia has been late in adopting the concept of regional integration (Weerakoon, 2010). The trade liberalisation process was initiated by Sri Lanka in 1977, following by other countries in the region. However, trade liberalisation in the region passed mainly through the unilateral liberalisation by individual countries and was rather uneven and hesitant across countries.

The first step to regional cooperation and integration was the establishment in 1985 of the South Asian Association for Regional Cooperation (SAARC). One of SAARC’s key missions is to intensify and to deepen cooperation in trade, investment, finance, energy, infrastructure and connectivity among South Asian countries. However, political tensions between countries left SAARC’s goals distant and the region’s full trade potential untapped. It took another ten years to reach a preferential tariff agreement, the South Asian Preferential Trade Area (SAPTA). Eleven years later, the South Asian Free Trade Agreement (SAFTA) was signed and the Trade Liberalization Programme started in 2006. In 2011, more progress was made with the creation of the South Asian Regional Standards Organisation (SARSO) to enhance coordination and cooperation among SAARC Member States. The SAFTA treaty only addresses trade in goods, which is viewed as a limiting factor, and in 2012, eight members of the SAARC ratified the South Asian Agreement on Trade in Services (SATIS) allowing broader economic cooperation. This succession of agreements illustrates the slow regional cooperation process. In 2014, SAARC countries agreed to set up a South Asia Economic Union (SAEU) along the lines of the European Union (EU), facilitating a common market and removing trade barriers.

There is a number of bilateral trade agreements among South Asian countries (WTO Regional trade agreements database, 2017). As for trade relationships with neighbouring regions (South East Asian countries), only large countries like India (Kumar & Singh, 2009), and to a certain degree Pakistan, play active roles in South Asian integration, and each country negotiates their trade agreements individually.

Despite the agreements and initiatives listed above, trade integration in South Asia is not progressing as rapidly as expected and not fulfilling its potential (Moinuddin, 2013a and

\(^8\) For instance, India’s trade with its neighbours is under 3% of its total trade; and trade between two largest countries, India and Pakistan, is minuscule.
due to logistical, political (Wickremesinghe, 2016) and cultural issues. SAFTA had a very limited impact on less developed countries of the region (Pal, 2016). Further steps and projects (e.g. World Bank connectivity projects) have been taken to facilitate trade in this region; the main recommendations (Pal, 2016) concern removing non-tariff barriers (NTBs) and encouraging trade in services. Key issues concern the adaptation to trade of formal and informal institutions and further liberalisation of services and logistics, such as air travel and shipping (World Bank 2016b).

In order to help South Asian countries speed up intra-region integration, the World Bank finances several programs. One of these is the Bangladesh Regional Connectivity Project (World Bank, 2017c), which was created “to improve conditions for trade through improving connectivity, reducing logistics bottlenecks and supporting the adoption of modern approaches to border management and trade facilitation”. This project aims to facilitate economic opportunities for vulnerable people, especially women. It supports policies that would eliminate obstacles for women in trade and business and allow more women traders into formal trade networks and global value chains.

**Heterogeneous region: example of BBIN initiative**

The difficulties and slow progress of regional integration can be partially explained by the disparities observed in the countries of South Asia. The most dynamic of these is the BBIN sub-region, comprising Bangladesh, Bhutan, India, and Nepal. The BBIN sub-regional initiative aims to improve economic cooperation and connectivity among these four South Asian countries. According to Pal (2016) the BBIN initiative will not only ease the flow of goods but will also facilitate the movement of labour across the borders and thus lead to improved people-to-people contact which in turn will have important implications for regional integration, business travel, and trade in services. It may also provide other benefits to the region from possible development of regional value chains in South Asia.

Recent and growing recognition of the benefits of economic integration by these countries leads them to reinforce their regional cooperation and measures such as removal of tariffs and non-tariff trade barriers, removal of obstacles to trade through improved transport connectivity and logistics facilitation has become a high priority for these countries. For instance, in June 2015, the four countries signed the Motor Vehicle Framework Agreement (MVA) which is intended to ease restrictions on cross-border road transit for vehicles, passengers and cargo. This agreement via transportation cost reduction will facilitate transit, increase connectivity and, therefore, promote greater intra-regional trade.

**Trade outcomes and women**

Achieving gender equality is an important part of the 2030 Sustainable Development Goals (SDGs). Specifically, Goal 5 commits countries to achieve gender equality and empower all women and girls. One of the means of economic empowerment for women is trade. However, nowadays, women in South Asia continue to face a range of cultural, financial, and legal barriers to their ability to start and grow businesses and are still among the more invisible small and informal traders.

There is little doubt that trade liberalisation has had a profound effect on the wellbeing of women in Southeast Asia (Chandra et al., 2010). However, trade liberalisation has brought about
opportunities in the form of new employment, which may allow them to access higher incomes and improve their status in the society.

Unfortunately, trade policies are often gender-blind and ignore women's interests and aspirations. Women are often the major victims of economic openness; poor women, in particular, remain vulnerable to economic policy changes (Chandra et al., 2010).

Gender barriers to trade benefits specific to South Asia

In addition to gender barriers to equal enjoyment of trade outcomes, women in South Asia face some additional and serious issues barring them from benefits of trade.

In South Asian countries gender stereotypes perpetuated through social norms are particularly strong and leave little to no choice to women but to accept unpaid work and reproductive roles (such as being primary caregivers in the family and being responsible for household tasks) that leave women and girls with very little time to learn or to improve their skills or seek new work opportunities. Quite often women's income is considered only supplementary, and not essential to households’ wellbeing. In some countries (for instance in Afghanistan), a negative attitude toward women in society is usually observed (Shayan, 2015).

The main benefits from international trade exist not in declining (import-competing) sectors, but in expanding (export) sectors. In this respect, women in South Asia in particular are disadvantaged, as they tend to face more constraints than men in labour mobility due to the structural segregations of South Asian labour markets, deeply rooted in discriminatory social and cultural norms (IANWGE, 2011).

Caste discrimination, specific to this region, makes the situation even worse for women in the most disadvantaged caste, the Dalits. They suffer threefold discrimination, on the basis of caste, gender, and economic status (BDERM and IDSN, 2016).

South Asian value chains⁹

In many developing countries, the rise of global value chains (GVCs) has increased the number of jobs available for women in labour intensive industries, such as the textile and apparel industries (ILO 2016). On one hand, the expansion of these industries can be beneficial if it brings women into the formal labour force and out of sectors like subsistence agriculture. However, changes in technologies (as was the case in East Asia), can on the other hand lead to the defeminisation of the manufacturing sector by shifting production in the manufacturing sector from more labour-intensive to more capital-intensive activities (Kucera and Tejani 2014).

As in many developing countries, women in South Asia are less integrated in value chains than men. Their lack of mobility and therefore lack of access to markets, and especially social norms, restrain their interaction with value chain actors. For example, women who participate in value chains are often excluded from relationships with buyers and suppliers. In addition, men usually take on management roles in value chain activities, whereby women tend to participate only as employees. Similarly, also because of societal norms, women have limited access to chain services, such as public finance, credits or trainings, and gender differences education result in lower skilled roles in value chains for women.

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⁹ Value chains comprise sets of activities in the production of goods and services, carried on in distinct production units which are linked to their mutual benefit.
Even in agriculture value chains, women usually are likely to produce food for personal consumption, whereas commercial cultivation of food is traditionally dominated by men (GIZ, 2013).

**Examples of successful regional value chains across South Asia are still limited.** Supply side constraints, prevalence of non-tariff barriers, and restrictions on movement of people and goods continue to curtail the potential of regional chains (Vaqar et al., 2015).

The disparities in male and female participation in regional value chains in South Asia can be illustrated with the gendered analysis on a farmed fish value chain in Bangladesh (the world’s fifth-largest aquaculture producer (FAO, 2016)). In an in-depth analysis of the farmed fish value chain of Bangladesh by Kruijssen et al. (2016), the authors show that there are considerable differences in the ways in which, and degrees to which men and women can participate in and benefit from the aquaculture value chain. They explain these differences by social and gender norms and relations\(^{10}\). Kruijssen et al. (2016) argue that the causes of these differences are mainly related to:

- gender identities and norms;
- gender divisions of labour;
- gendered access to and control over resources and benefits;
- gender-based levels of decision-making power.

Women in Bangladesh have major but quite often unrecognised and/or unpaid involvement in specific activities related to fish production (such as feed preparation, feeding, stocking ponds, pond management, fertilisation, sorting, cleaning and grading fish for the market and as harvesting fish for home consumption); while men are usually responsible for tasks like harvesting fish for the market, marketing fish and the purchase of inputs such as fish feed (see also Das and Khan, 2016; Shirajee et al. 2010). Women’s involvement in some nodes of the farmed fish value chain is quite limited: one recent value chain study in the southwest of Bangladesh (Kruijssen and Pyburn forthcoming) suggests that less than one percent of fish traders are women. Moreover, decision-making power is heavily skewed toward men, and access to and control over the benefits of fish production is not always fairly shared between men and women. For instance, an important difference can be observed in wages for male and female workers, without much resistance from women, who said they were forced to accept lower wages out of necessity and a lack of alternative options (Jahan et al., 2015).

Women’s involvement in the Bangladesh aquaculture value chain varies across locations, technologies and cultural/religion contexts (for instance, women in Hindu families are more active in fish farming, whereas women’s participation is much lower in Muslim families). Women’s participation in the farmed fish industry may also depend on the household’s relative wealth status (i.e. in wealthier households women are usually replaced by hired labour).

To remedy this trade benefits gender gap, and to support women, specific policies are put in place. As issues became clear in the literature and the drawbacks became widely known, the

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\(^{10}\) Like other South Asian countries, Bangladesh is considered a patriarchal society and its predominant gender norms and attitudes reinforce women’s roles as primarily limited to domestic and care duties (see also Kabeer, 2011).
gendered approach has now become an integral part of all new policies. A few examples of completed or ongoing initiatives in the region are:

- **Aid Investment Plan, South Asia Regional Development Program**: from 2015-16 to 2018-19 (DFAT, 2015). This program is financed by the Australian government and focuses on two inter-related objectives to address region-wide barriers to sustainable economic growth, and strongly aligns with the overarching priorities of the Australian aid program, including in infrastructure, trade facilitation, agriculture and water. It is stated that gender equality will be a focus in all investments under the regional program. The objective will be addressed through the World Bank-implemented Infrastructure for Growth (IFG) program and the South Asia Regional Trade Facilitation Program (SARTFP). SARTFP seeks to improve border trade and connectivity in the eastern sub-region of South Asia, with a particular emphasis on enabling women’s participation in trade and economic activity.

- **Aid for Trade project in Central Asia (AIT III)** is currently in its third phase (UNDP, 2017). This project is funded by the Ministry for Foreign Affairs of Finland (FORMIN, 2015) and executed by the Agency United Nations Development Programme (UNDP). The AIT project activities reflect the principles of human rights-based approaches, national ownership, gender sensitivity and environmental sustainability.

- **Pakistan trade project supported by Deloitte and executed in co-operation with USAID and Pakistan Ministry of Commerce**. Deloitte is providing technical assistance for trade-related policies. One of the aims of this project is to support women in trade (Deloitte, 2017).

### 4. Potential partner institutions

**World Bank, United Nations Development Programme (UNDP), UN Women Watch, and the International Trade Centre (ITC)** with the “SheTrades” initiative are widely known for work on and support of gender-targeted programmes in developing countries. **USAID** is also a partner of many initiatives aimed at improving quality of life.

**The United Nations Conference of Trade and Development (UNCTAD)** conducts the “Trade, Gender and Development Programme” aiming to carry out in-depth research studies on trade, gender and development contributing to mainstream gender in macro-economic policies, especially in trade policy. Extensive studies on links between trade liberalisation and gender outcomes have been conducted for seven countries (Rwanda, Angola, Lesotho, the Gambia, Cape Verde, Bhutan and Uruguay).

**The Council of Europe Development Bank (CEB)** has a mission is to provide financing and technical expertise for projects with high social impact. It has exclusively social mandate and it intervenes in the sectors of health, education, public administration, living conditions, micro and SMEs, social housing, natural disasters, environment, cultural heritage, etc. Though it is a European-oriented bank, its social sector expertise might be of valuable use for the project.

**The European Bank for Reconstruction and Development (EBRD)** was initially set up to support economic transition in post-communist countries of Central and Eastern Europe by promoting private and entrepreneurial initiative, but its role has since expanded to include some countries in Central Asia, the Middle East, and North Africa. Recently, as part of the EBRD’s
commitment to improve gender equality, the EBRD adopted the Strategy for the Promotion of Gender Equality 2016-2020. The Strategy aims to increase gender equality in the countries of intervention through prioritisation of areas with greatest gender gaps and providing targeted products focused on promoting access to finance and services, access to skills and employment. Without a doubt, this makes the EBRD a highly valuable potential partner for the project.

The European Investment Bank (EIB), under its current mandate covering the period 2014-2020, is authorised to lend up to EUR 1.1 billion in Asia and Central Asia in the following priority sectors: 1) climate change mitigation and adaptation; 2) development of social and economic infrastructure, including water and sanitation; 3) local private sector development, in particular support to SMEs. Though EIB’s lending is not directly targeting gender issues, some experience in transport connectivity improvement on regional and urban levels (for instance, recent example of Lucknow metro in India) and in private sector might be relevant.

More region-specific partners include the Bangladesh Dalit and Excluded Rights Movement (BDERM) and the International Dalit Solidarity Network (IDSN).

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Expert contributors

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This report is based on five days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

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