



Linda Schmid,<sup>1</sup> July 20, 2018

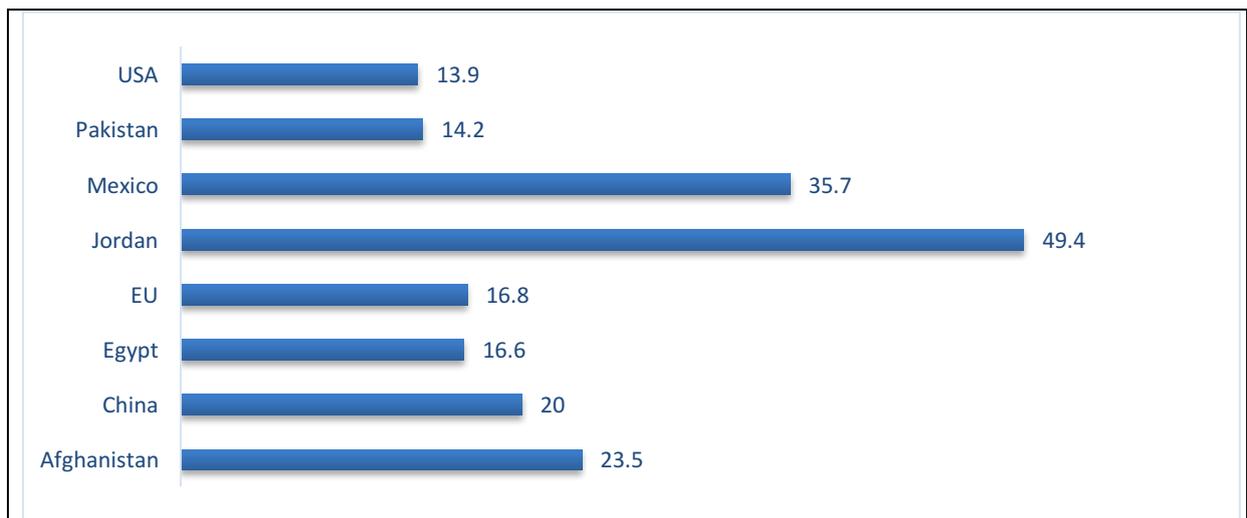
## Women's Economic Empowerment and Trade Q&A

Women's participation in the economy increases economic productivity, diversification, and resilience. The power of the purse enables women greater decision-making power in allocating disposable income within the family for education, health, and savings. However, socio-economic gender disparities in education, employment, and access to financial services can limit women's economic engagement and earnings. Moreover, gender disparities can restrain women's potential gains from trade as entrepreneurs and as employees. Trade can offer women entrepreneurs access to a broad and deep marketplace for the sale of goods and services. Women entrepreneurs engaged in international trade have greater access to innovations in production and technology. Policy-makers can improve the investment climate for women for more inclusive economic growth and trade.

### Q1. Why consider trade through the lens of gender?

**A1. The 164 members of the World Trade Organization (WTO) are trading nations.** A comparison of national trade to GDP ratios<sup>1</sup> illustrates the relative importance of trade to national economies. Figure 1 indicates the comparative, "dependence of domestic producers on foreign demand and of domestic consumers on foreign supply,"<sup>2</sup> for a variety of economies. The level of trade in an economy reflects domestic productivity and consumption as well as the depth and scope of trade relationships. On average, only a quarter of trade represents finished products; intermediate inputs including services, capital, and technology account for three quarters of trade.<sup>3</sup> In developed economies, close to 10% of domestic employment is directly linked to trade.<sup>4</sup>

**Figure 1: Trade (% of GDP, 2014-2016)**



**Source:** WTO Member Trade Profiles (<http://www.wto.org>).

<sup>1</sup> Trade to GDP Ratio (exports + imports, balance of payment basis) divided by GDP, World Trade Organization, Country Profile, Technical Notes (<http://www.wto.org>).

<sup>2</sup> The World Bank, World Integrated Trade Solution Database (<http://www.wits.worldbank.org>).

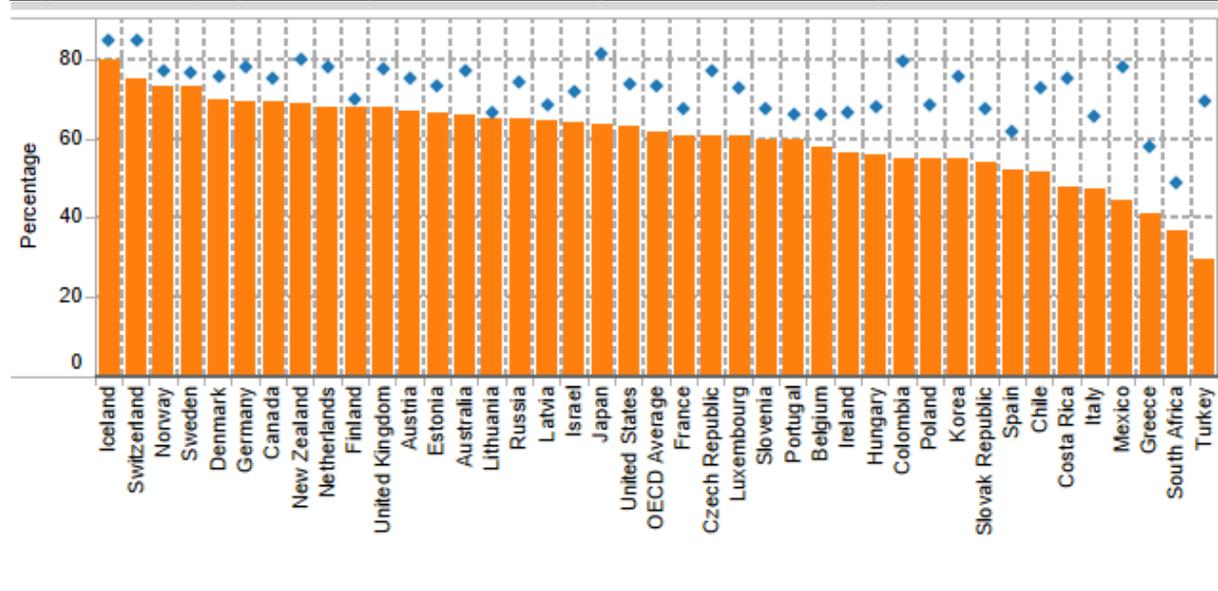
<sup>3</sup> OECD, Trade Policy Implications of Global Value Chains, 2015. (<http://oecd.org/trade>).

<sup>4</sup> Ibid.

## Q2. Is there a link between women’s economic engagement and economic productivity?

**A2. As women’s economic engagement deepens, productivity and prosperity rise.** Empirical studies show that the growth of women’s income is strongly associated with investment in health, education, and savings. Furthermore, diversity in the workforce contributes to better decision-making, problem-solving, creativity and innovation. “Gender diversity of an office improves office performance significantly.”<sup>5</sup> Women’s engagement in the economy provides a more diverse set of skills, which helps firms become more productive and competitive.<sup>6</sup> The scope and conditions of women’s employment influence long term earnings and the gains from trade. Figure 2 illustrates that developed economies have the most significant female labor force participation rates.

**Figure 2: Employment/Population Ratio, by Gender (15 to 64 age) (Women Men) (2015)**



**Source:** Organization for Economic Co-operation and Development Statistics (OECD.STAT)

## Q3. What factors influence women’s participation in the economy and trade?

**A3. Factors governed by law, public policy, and cultural practice influence women’s economic participation.** For example, laws that restrict women’s property rights, ability to work in specific sectors, or freedom of movement inhibit economic engagement. In terms of public policy, the availability and quality of educational services can determine a woman’s career path and earning potential. “Women’s education and skills accumulation are the most important factors determining the impact of trade on women’s employment and the gender wage gap.”<sup>7</sup> Policies that provide equitable parental leave programs and access to high-quality, comprehensive, and affordable childcare distinguish those countries with a substantial female labour force participation rate. Several factors have a decisive impact on women’s economic engagement and the gains from trade, such as:

- Access to land & capital (property rights & borrowing ability)
- Education (literacy & skills accumulation)
- Employment opportunities (in agriculture, manufacturing, services, and public service)
- Information technology access (via cable, mobile, & internet kiosks)
- Security in mobility (availability and acceptability of private & public transportation)

<sup>5</sup> Sara Fisher Ellison, Wallace P. Mullin, Diversity, Social Goods Provision, and Performance in the Firm, Journal of Economics & Management Strategy, Volume 23, Issue 2, Summer 2014, Pages 465-481.

<sup>6</sup> Peter Dizikes, Study: Workplace Diversity Can Help the Bottom Line, Massachusetts Institute of Technology, 2014 (<http://www.news.MIT.edu>).

<sup>7</sup> The World Bank, The Impact of International Trade on Gender Equality, PREMnotes, Number 86, May 2004.

- Equitable parental leave programs
- High-quality, comprehensive, and affordable childcare
- Tax credits and benefits to low wage earners
- Electricity (balance of time in “domestic” versus “productive” activities)

#### **Q4. How do women participate in the economy?**

**A4. There is broad interplay between women and the economy.** Women engage in the economy as:

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|---|--|
| • Consumers                                     | • Professionals (Engineers, Accountants, Lawyers), |
| • Business Owners, Operators, and Entrepreneurs | • Producers (Agriculture),                         |
| • Employees (Wage Earners),                     | • Traders  |

As consumers women experience the effects of trade and investment policies that govern the cross-border movement of goods, services, and investment. Trade barriers that result in artificially high prices, low quality products, and a narrow scope of goods and services will shape household purchasing decisions and the quantity of disposable income. The cost and quality of household items such as food, apparel, communication services, consumer technologies, transportation, and other goods and services will reflect trade and investment policies as well as national regulations.

#### **Q5. How is trade related to women in their role as entrepreneurs?**

**A5. International trade is a means for women entrepreneurs to reach the expansive pool of consumers in the global marketplace.** With the Internet, even small enterprises can provide goods and services abroad. Women entrepreneurs may position their firms to produce for export markets with attention to cost, quality, and the deepening of international commercial relationships through online networks, trade missions, and market intelligence. Exporting firms are generally more productive, pay higher wages, use more skilled workers, and are more technology and capital-intensive than their non-exporting counterparts.<sup>8</sup> Policymakers can improve the environment for women entrepreneurs with the implementation of the WTO’s Trade Facilitation Agreement, which lowers trade costs and reduces time at the border. When women entrepreneurs are successful international traders, they can increase income, savings, and consumption and investment in the local marketplace.

#### **Q6. How is trade related to women in their role as wage earners?**

**A6.** As wage earners, women may experience greater opportunities for employment and increased earnings in productive sectors that are internationally competitive. Textile production, electronics manufacturing, and business process outsourcing provides gainful employment to women around the world. "Women have been particularly important to the success of Asia's export industries, typically accounting for 60-80% of jobs in many export sectors, such as textiles and clothing."<sup>9</sup> Women professionals, such as engineers, accountants, and lawyers export services to foreign companies at home and overseas.

#### **Q7. What is the impact of trade on wage earners?**

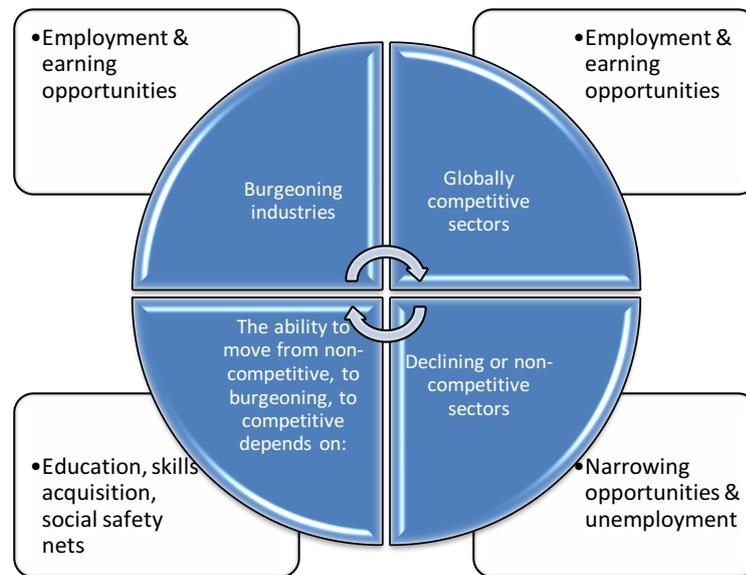
**A7. The global economy evolves over time.** Women working in burgeoning and globally competitive sectors such as professional and information technology services can experience wage gains. Women employed in declining or non-competitive sectors may encounter a narrowing of

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<sup>8</sup> A. Bernard, Firms in International Trade, NBER, 2006.

<sup>9</sup> The Economist, A Guide to Womenomics: The Future of the World Economy Lies Increasingly in Female Hands, April 12, 2006.

opportunities and unemployment. The ability of women to adjust to changing employment patterns depends on access to adult education, skills acquisition, and social safety nets.



**Q8. How is trade related to women in their role as agricultural producers?**

**A8. Women involved in agricultural production of food crops or cash crops may have greater access to foreign export markets due to trade.** Open markets may provide a wider array of agricultural inputs such as tools, machinery, or advanced technology. Women may also face increased competition in the agricultural sector for food and cash crops. A greater supply of food crops at a lower cost may reduce non-paid cultivation of food crops and free women’s time for other productive activities. A greater supply of cash crops at a lower cost may reduce prices for cash crops and necessitate a shift into diversified cash crop production or other productive activities. Trade liberalization in sensitive agricultural sectors should be accompanied by complementary policies to minimize adverse consequences.<sup>10</sup>

**Q9. Why is moving women from the informal to the formal economy important?**

**A9. Women’s participation in the informal versus formal economy can have implications for their long-term earnings.** Women who work in the informal economy experience lower incomes than those in the formal economy. Women in the informal economy forgo social protections, unemployment compensation, and worker safeguards.<sup>11</sup> Operating outside the formal economy also limits tax revenues for important public services such as education, waste management, environmental protection, and social safety nets. Technology and structural reform can help shift workers from the informal to the formal economy, increasing government revenues for public services, and linking workers to social safety nets.<sup>12</sup>

**Q10. How do customs and border management practices affect women traders?**

**A10. Certain customs measures and practices are particularly valuable in reducing trade costs and improving customs efficiency for women traders.** For example, simplification of trade

<sup>10</sup> L. Alan Winters, Trade Policies for Poverty Alleviation, 2002, Development, Trade, and the WTO A Handbook.

<sup>11</sup> International Labour Organization, Women and Men in the Informal Economy: A Statistical Picture, 3rd Edition, 2018 <http://www.ILO.org>.

<sup>12</sup> Unregulated, untaxed, unloved, The Economist, October 15, 2016.

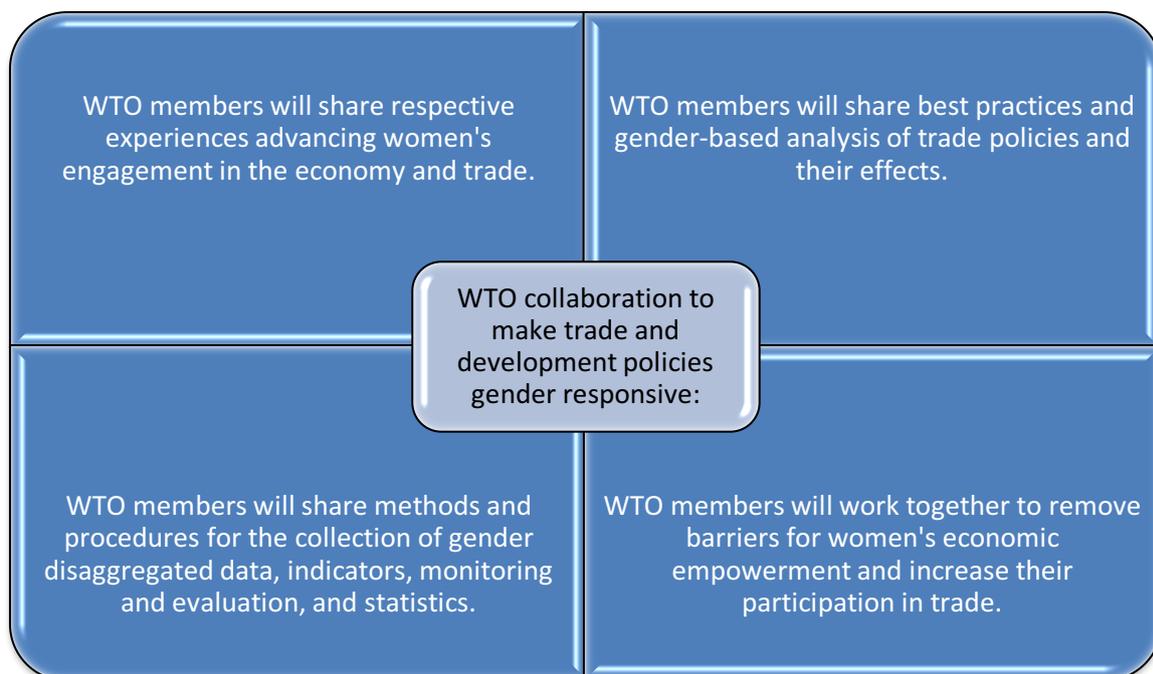
documents and acceptance of copies rather than original documentation, lower trade costs.<sup>13</sup> Similarly, limiting “fees and charges for customs processing...to the approximate cost of the services rendered,”<sup>14</sup> reduces costs for women traders. Customs agencies can establish regular communication with the trade community to create greater procedural transparency and help alleviate delays at the border. With the advent of mobile communications, border agencies can easily employ mobile applications to coordinate consultations, distribute new rules and regulations, and accept questions and comments. Customs policies and procedures that are transparent and predictable help women traders engage effectively in international markets.

**Q11. How does access to economically priced and quality commercial infrastructure shape women’s trade participation?**

**A11. Access to economically priced and quality commercial infrastructure shapes women’s economic engagement.** For example, the cost, quality and reliability of electricity can determine a woman’s productive potential in the domestic sphere, in the agricultural sector, in manufacturing, and service industries. Similarly, the cost, quality and reliability of telecommunications can determine access to online resources, market information, online educational services, and commercial opportunities. The cost and quality of financial and business services will influence how women’s businesses grow. Astute trade policy that is rules-based, transparent, and non-discriminatory, can improve the cost, quality, and scope of services in the marketplace to the benefit of all economic stakeholders.

**Q12. How is the WTO addressing trade and gender?**

**A12. The WTO’s Joint Declaration on Trade and Women’s Economic Empowerment of 2017 details how the WTO will collaborate on trade and gender.**



**Source:** WTO Joint Declaration on Trade and Women’s Economic Empowerment, 2017

<sup>i</sup> Linda Schmid is International Trade and Development Adviser at [Trade in Services International](http://www.wto.org).

<sup>13</sup> Organization for Economic Cooperation and Development, Trade Facilitation Indicators Country Note-Malawi, 2015, <http://www.oecd.org>.

<sup>14</sup> World Trade Organization, Agreement on Trade Facilitation, July 2014 (WT/L/940), <http://www.wto.org>.