

**Gender and International Trade
In the Context of Pro-Poor Growth:
Concept Paper**

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I. Introduction

I. a. Objective

The objective of this Concept Paper (CP) is to outline the linkages between gender disparities and international trade in Sub-Saharan Africa (SSA). The aim is to provide a synopsis of the core interrelations and potential interactions between the prevailing gender biases and trade expansion and to highlight the significance of evaluating trade matters through a gender lens.

The conceptual framework is presented in three parts: (1) an overview of the systemic gender inequities reduced into a few key economic parameters; (2) an overview of the core economic parameters in trade expansion; and, (3) an overview of the linkages and interactions between gender inequities and trade expansion. In addition, a review of the obstacles and incentives to trade expansion from SSA from selected trade agreements and their gender dimension is presented in an extended appendix.

I. b. Background

Traditionally, gender, trade, and development have been studied separately, ignoring the linkages between them. In recent literature one finds several attempts to identify such links and point out their significance in the development process, if sustainable growth and reduction in poverty is to be achieved. The findings of these attempts, however, have not yet penetrated policy makers and actors in the field, thus in practice interrelations and potential interactions between gender and international trade are not taken into account in development policy formulation and implementation.

Trade expansion is considered a major driving force for growth and poverty elimination¹. There is a growing recognition, however, that trade liberalization alone, without adequate supporting infrastructure and enabling macroeconomic policies, can not expand trade.

Trade liberalization and foreign direct investment (FDI) policies have not worked in SSA so far, even though expanding international trade is still seen as fundamental to accelerating growth and reducing poverty. One of the pillars of the World Bank's strategy for supporting development in Africa is to diversify economies, improve their infrastructure and increase their competitiveness on the global economy, thus reversing the prevailing trend of Africa's marginalization in the process of globalization.²

¹ Scholars in the field acknowledge that 'globalization' and its undercurrent expansion of international trade dominate developments in national economies but they do not agree on the direction, extent and degree of their differentiating impacts between rich and poor countries and between the poor and the better off within national borders. In the literature there is a distinction between 'pro-rich' and 'pro-poor' growth and an apparent consensus that the gap between 'rich' and 'poor' countries has been widening. (White and Anderson (2000).

² It is estimated by the World Bank that the Africa Region would need to grow by 5 percent a year just to keep the number of poor from rising.

Box 1: Africa and Globalization

- Africa's share of world exports declined from over 3.5% on 1970 to about 1.5% by the end of 1990s
- Imports over the same period declined from 4,5% to 1,5% of world imports
- This decline in Africa's exports over the last three decades represents an income loss of \$68 billion annually, equivalent to 21% of Regional GDP
- G7 agricultural subsidies of \$350 billion per year are 25 times the Official Development Assistance (ODA) flows to Africa

Source: Thirriot and Hinkle, 2002

Trade policies and practices, however, have different effects on men and women, particularly in the African economies, because of the differences in the roles, responsibilities, rights and opportunities that society assigns to men and women. It makes economic sense, therefore, to pay attention to these gender differences in order to maximize the effectiveness of trade and growth policies.

Trade may differentially affect the various levels and sectors of the economy, as well, both directly and indirectly, given the interconnections between the formal labor market and the informal and household activities. Households operate in an environment structured by institutional constraints that affect men and women differently in their mobility between formal-informal-household activities, and in their intra-household rights and responsibilities.

Gender inequities, such as the gender wage gap may at first instance appear as an incentive for trade expansion because of the cheap female labor. This wage gap, however, together with the other systemic gender inequities may depress women's productivity becoming thus a draw back to growth and poverty elimination. According by David Dollar and Roberta Gatti (1999) '... gender equality and economic development are mutually reinforcing. ... Gender differentials in education and health, for example, are not an efficient economic choice. Societies that under-invest in women pay a price for it in terms of slower growth and lower income'.³

Taking into account gender equity considerations does not come in conflict with trade expansion objectives. Gender responsive trade policies are expected to improve the effectiveness of trade expansion strategies and to help bring about the most favorable results from trade expansion for both men and women and their households, with special compensatory measures, where necessary

³ David Dollar and Roberta Gatti. May 1999. *Gender Inequality, Income, and Growth: Are Good Times Good for Women?* PPR on Gender and Development, Working Paper Series No 1, The World Bank.

II. Gender and the Economy in SSA

The *overall systemic gender inequalities* could be broadly classified as socially assigned differences between men and women in rights and responsibilities, including constraints against women in:

- * Access to income earning opportunities;
- * Access to education, information, and training;
- * Access to, ownership of, control over, and use of assets and productive resources, including credit and technical assistance;
- * Equal remuneration of effort (including for domestic activities);
- * Effective participation (voice) in decision-making and policy formulation.

An overview of the *economic dimension* of the above gender inequalities shows that:

II.1. Both men and women play substantial economic roles, particularly in developing countries such as those in Sub-Saharan Africa, but they have *no equal access to the various sectors of the labor market, are not equally distributed across the formal productive sectors and other productive and reproductive activities, and they are not equally remunerated for their labor*. These gender inequities in the labor market are widely spread in SSA and they affect the economies as a whole, and trade in particular, since women are highly represented among the traders in the informal sector, and expansion of trade in the formal sector has, to a large extent, been based on the availability of women's cheap labor.

It appears necessary, therefore, to carry out a gender impact assessment from trade expansion in targeted sectors when designing a trade policy. It is necessary to diagnose potential differentiating impacts on men and women from anticipated trade expansion, specifically as regards employment, mobility (upwards within firms and horizontally between firms and industries), wages, job security, and income expectations. Current, and recent changes in, labor force participation and mobility for men and women and wage differences between them should be identified for each targeted sector or industry. Available statistics, special surveys and rapid assessment methods can be used for this purpose.

The 'gender intensity of production' approach, which was developed by Elson and Evers (1997) was applied, for example, by a World Bank team, using ILO labor force data and other country and sector data for 1990, to calculate gender intensity of production for each country in SSA⁴. These estimates were based on data on :GDP growth rates, GDP per capita (% growth), GDP per capita at purchasing power parity (\$PPP), UNDP estimates on earned income (PPP US\$, 1999), UNESCO preliminary estimates on Combined Primary, Secondary, and Tertiary Gross Enrolment Ratio, UNDP Human Development Indicators (adult literacy rate), and ILO Labor Force Participation

⁴ Mark Blackden. June 2003. 'Gender and Growth in Africa: A Review of Evidence and Issues'. Chief Economist's Office, Africa Region. The World Bank

Rate. While highly aggregated, these estimates provide some indication of the respective contributions of men and women in African economies, and suggest a high degree of variability both across countries and across sectors. They suggest that men contribute nearly 2/3 and women more than 1/3 to African countries' GDP, with women's contribution ranging from a low of 26% to a high of 52%. It is possible that these estimates understate women's contribution to their economies and they do not take account of gender differences in productivity.

It should be noted also that much of the economic activity in the traditional export sectors in SSA, such as in agriculture and apparel industry, is in the hands of women. And to the extent that there are significant differences between men and women in participation, mobility (within and between industries and sectors), and pay, trade expansion in the various sectors may generate different demands on and offer different opportunities for men's and women and create different pressure for changes in wage rates and result in different distribution of generated benefits.

II.2. The presence of women in economic production is largely *invisible* in SSA. It is estimated that about two thirds of women's activities in developing countries are not captured by the System of National Accounts (SNA); the corresponding figure for men's activities is only about one quarter (UNDP 1995). This leads to incomplete and partial evaluation of economic outcomes and masks critical linkages and complementarities among sectors of economic activity and between the sectors of paid and unpaid labor. It may lead to a paradox, for example, at which when women move from the formal to the informal sector the recorded national product might show a reduction even if the opposite is true. It is important for policy makers to be able to estimate the real income generated by sectors and by each member of the households, as well as the actual labor used in providing it, in order to design the most effective trade expansion strategy and to evaluate its potential benefits and their distribution among members of the households. Errors in SNA estimates may cause errors in trade expansion and other macroeconomic policy decisions with adverse effects on gender inequities.

II.3. Women's *limited access to and control over natural and financial resources and other inputs to production*, as well as to education, information, and training, depress *women's productivity* and thus reduce the effectiveness of development policies and measures to reduce poverty. This is a key gender related economic parameter that may significantly affect trade expansion and economic growth in a number of SSA countries. Attaching compensatory measures to trade policies which aim at improving women's access to financial resources and services, for example, may improve women's productivity and enhance the effectiveness of trade expansion measures.

II.4. *Limited Access to education and training* often faced by girls and women in SSA have depressing effects also on the country's *human capital accumulation* in the long term, in addition to such effects on its productivity and competitiveness in the international market in the medium and short term. To the extent that budgetary constraints and lack of private funds, when combined with social customs, force the substitution of girls' education with education of boys' of lower intelligence and

capabilities, the real return to investments on education is reduced, with negative repercussion on the country's human capital. According to findings by Stephen Klasen⁵ higher investment rates on education (of girls) are related to higher human capital, among other parameters. Klasen also argues that human capital is very important in Africa's agricultural societies, and given the role women play in African agriculture, their poor human capital appears to be a particularly important constraint for economic growth. He continues to argue that greater mother's education reduces fertility and increases her health knowledge with beneficial effect on her children's health. He also points out that greater bargaining power increases her say over household resources, which often leads to greater allocations to child health and nutrition with beneficial effects on the accumulation of human capital⁶.

II.5. *Gender wage differential* can play significant role in enabling trade expansion. Low wages for women (as compared to those for men) combined with demand for low skilled labor in the apparel industry, for example, have led to reduction in unit production costs, and increase in competitiveness and export expansion in the industry, as well as to increased employment and earnings for women. This has been the case in Kenya, Madagascar and a few other SSA countries. Evidence from South Asia also shows that the low wages paid to women (75% of men's wages) enabled countries like Korea, Taiwan, and Singapore to export products at very low prices. The wage discrimination against women in these cases is credited for expanding trade and economic growth in South Asia⁷.

II.6. Men and women respond differently to market and policy incentives also because of the different *time constraints* under which they function. Due to their household responsibilities women have less time, than men, available for employment in the formal market and for rest/leisure, thus they respond differently than men to employment opportunities from trade expansion. Differences in the access to productive resources and services (including education and training), as well as in expectations on cash earnings and other benefits from trade expansion, also contribute to women's different response to employment incentives

II. 7. Women's productive and reproductive functions provide the primary *links between the formal, informal and household sectors*. However, women's shifts between the formal and informal labor markets, while maintaining their reproductive functions, can lead to changes in allocation of household responsibilities between members of the households. And increase in women's earned cash income, from trade expansion for example, may affect allocations in household budgets with significant effects on effective demand for consumer goods, children's education, family health, nutrition, and general household dynamics and family welfare, as well as on the country's wealth in human capital.

⁵ Stephan Klasen, 2002. *Does Gender Inequality on Education Reduce Growth and Development? Evidence from Cross-Country Regressions*. World Bank Economic Review.

⁶As per Klasen, Thomas (1990) found that the impact of unearned income on child survival was 20 times greater if the income was brought in by the mother than if it was brought in by the father (p. 9)

⁷. Irene Van Staveren. February 2002. *Gender and Trade Indicators*. WIDE. UK

II. 8. Last, but not of least significance, women and the poor in general, and poor women in particular, have little or *no voice in decision-making*, thus their different needs and constraints are not taken into account in general macroeconomic policy formulation and implementation, with detrimental effects on growth and poverty reduction

II. 9. In summary, to the extent that women are subjected to the above constraints in their productive activities they have lower productivity and more limited potential than men to respond to employment and other income generating opportunities. At the same time, however, women's low(er) wages become a competitive advantage to trade expansion in traditional female production activities, resulting in higher employment and earned income for them.

III. Trade Liberalization, Export Expansion and the Economy in SSA

III. a. *Background*

III.a.1. The international scene is characterized by an intensified global economy, with capital flowing more or less freely across borders while labor is restricted within the home borders and LDCs are being marginalized⁸. These dynamics together with a host of trade agreements place constraints and create preferential access to markets across borders. Tariffs and non-tariff technical barriers, quotas, subsidies, export promotion devices, and a host of other protective scenarios and exclusions, as well as other trade distorting factors like state and private virtual monopolies and geopolitical realities create obstacles to market access. And preferential market access arrangements for imports from specific locations, such as from SSA under the African Growth and Opportunity Act (AGOA), can become significant incentives in encouraging trade expansion and growth in the targeted areas

III.a.2. Most of the traditional exports of developing countries are still under *quotas*; only a few of such products have been taken off the quota lists. For example, Canada has removed only 29 out of 295 restraint products, the EU 14 out of 219 – equivalent to less than 5% of EU textile imports under quota – and the US 13 out of 750 – equivalent to 6% of US imports under quota – correspondingly. As it will be discussed below, however, some recent EU and USA trade preferential initiatives are meant to improve market access and create new trading opportunities for LDCs, such as the EU free access to its markets for Everything But Arms (EBA), and the USA African Growth and Opportunity Act (AGOA) which provides free market access for certain exports from Africa, including apparel, at least till 2004 when the rules of origin will become more restrictive.

⁸ Magdalena Kaihuizi. July 1999. *LDCs in a Globalized World: A Strategy for Gender Balanced Sustainable Development*.

III.a.3. Given the linkages between the various sectors and industries in the economy and impacts from cross cutting macroeconomic policies, trade related measures may impact many levels of economic activity, including fiscal and budgetary developments, as well as social safety nets. For example, if elimination of tariffs reduces budgetary revenue and leads to budgetary cuts in social services, such as health, then there may be gender differentiated adverse effects since women are in need of additional health services then men due to their reproductive function.

III.a.4. Limited access to international markets is not due only to exogenous constraints. It is also due, to a great extent, to domestic economic and structural weaknesses that SSA economies have to overcome in order to expand their trade, such as: *inadequate diversification of tradable products; inability to cope with volatile terms of trade; low labor productivity; lack of business-friendly environment to attract foreign investments, lack of adequate infrastructure (i. e. lack of financial, institutional, transportation, administrative, market, and legislative support); and ineffective macroeconomic policy settings.* Developing countries need to identify marketable products in which they have a potential competitive advantage and focus on their production and marketing, while upgrading their infrastructure in a timely process⁹, and taking measures to ameliorate adverse impacts, such as those on gender inequities..

III.a.5. From a macroeconomic point of view it could be argued, in general, that the wider the range of exports the greater the safeguards against the volatility in the terms of trade. From a gender perspective, however, different trade diversification scenarios may have widely different effects on gender dynamics, on changes in women's productivity and on family welfare status, depending on the participation of men and women in the industries whose exports would be expanded. This is so because participation, mobility, wages, and access to and control of means of production are different between men and women in the various industries and sectors of the economy.

III. b. *Trade Expansion Strategy and Growth*

III.b.1 Trade liberalization, and particularly export expansion, is considered as the primary vehicle to growth enhancement and poverty elimination. The World Bank has designated trade as a global good and a corporate priority, and it is carrying out a large program of analytical work on trade-related issues. We need to understand, however, how trade liberalization connects with prevailing structural rigidities and systemic inefficiencies in the SSA economies, such as gender inequities and constraints and their economic implications, if we are to design strategies to maximize the overall benefits and minimize the potential negative impacts from trade expansion.

III.b.2 To begin with we need to keep always in mind that trade liberalization, that is the reduction of obstacles to the flow of goods and services across borders, does not by itself lead to the expansion of exports and growth. Liberalization of trade is a

⁹ The UNCTAD Trade and Development Report 1999 provides evidence that rapid trade liberalization led to trade deficit in the South as exports stayed flat or did not keep pace with rising imports. Thus the average trade deficit of the South is higher by 3% more than the 1970s and the average growth rate is lower by 2%.

necessary but not sufficient condition for export expansion. For exports to grow, other economic parameters have to come into play as well, such as: adequate supply of inputs to production (labor, raw material, capital) at cost and productivity levels sufficient to increase the products' competitiveness in the international market; enabling financial, transportation, institutional, administrative, and domestic market infrastructure, as well as comprehensive macroeconomic policies to safeguard against market and price fluctuations (diversification); and, adequate social safety nets..

III.b.3. *Supply of labor at competitive cost and productivity levels* and some reforms in infrastructure to enable women's full access to productive resources are among the key inputs for trade expansion, which connect directly to the prevailing gender inequities and rigidities. We would, of course, look into the systemic gender inequities and constraints and identify those that may become opportunities for trade expansion, in spite of their unfairness against women and other adverse social and economic impacts. The gender wage gap, for example, and specifically the *low pay for female workers* in the formal market in most SSA countries offer a competitive advantage to female intensive industries, such as apparel, and could be targeted for trade expansion. Whether such trade expansion would eventually reduce or enlarge the original gender wage gap would be case specific; that is it would depend on a number of other factors and on the linkages and interaction between the various sectors of the economy. At the same time, however, we should also identify any systemic *constraints in the access to productive resources*, education, training, and information by women, which reduce productivity, and target them for corrective measures in order to increase women's productivity and thus enhance competitiveness, leading to trade expansion and growth.

III.b.4. Evaluation of the need for reforms in *infrastructure* and their gender dimension is another key area in strategic planning for trade expansion. Weaknesses and inefficiencies in infrastructure (transportation, financial services, institutional settings, legal and regulatory matters, customs, and administrative handlings) are general obstacles to trade expansion, but of particular relevance to women's activities and reduced productivity since they are often victims of gender discrimination. Legal and institutional reforms to empower women with land rights and access to credit, for example, would become significant steps in increasing women's productivity. According to anecdotal evidence, women are forced to physically carry cash with them for cross-border transactions, due to the lack of financial services, becoming victims of highway robberies and illegal road blocks to a greater extent than men. In general, changes in infrastructure and trade facilitation measures to support trade expansion may also become significant factors in improving women's productivity, contributing thus to enhanced competitiveness, expanded trade and growth, leading to a reduction in poverty. Reforms in the various facets and levels of infrastructure and trade facilitation measures should be a priority objective in gender responsive trade promotion strategies.

III.b.5. In a recent World Bank report¹⁰ it is argued that Africa is hindered from fuller participation in the global economy by a "*standards divide*" – a combination of

¹⁰ John S. Wilson and Victor O. Abiola. June 2003. *Standards and Global Trade: A Voice for Africa*. The World Bank.

inadequate capacity to meet world trade standards for goods and limited opportunities to help shape these standards to ensure that they are consistent and fair. This report argues that increased attention to standards by African governments and firms, together with international efforts to design standards that protect consumers without imposing unfair burdens on low-income producers, would greatly increase Africa's exports, creating jobs and speeding poverty reduction.

Product standards can be both barriers to trade and opportunities (facilitators) to expand market access. They are set by international agreements, importing countries, or by market demand. Product standards define quality, safety, and authenticity, such as maximum of pesticide residue in agricultural produce, for example. Process standards govern the conditions under which a product is produced, refined or packaged, such as forest management practices for wood or cooling practices for fish. All are crucial to export prospects. Firms would have to upgrade their facilities to meet global standards, for example, by investing in better processing, cooling and storage. This, the report argues, in turn will require that African governments continue to improve the climate for investment by improving administrative process and regulations, and critical infrastructure such as power, telecommunications and farm-to-market roads. To the extent, however, at which standards entail high skill requirements they might result in unintended gender impacts in terms of discrimination against employment of less skilled female labor, and also in widening of the gender wage gap. Policy makers should keep these potential gender effects in mind and identify compensatory measures to enhance women's skills and productivity and ameliorate the adverse effects on them in the short run.

III b.6. There is an evident need for coordinated approach in trade expansion and other macroeconomic policies. This need was recognized in 1997 when the World Trade Organization (WTO) established the *Integrated Framework (IF)* initiative to facilitate coordination of trade-related technical assistance and to promote an integrated approach in assisting the Least Developed Countries (LDCs) enhance their trade opportunities. The World Bank assumed a leading role in implementing the IF initiative which is sponsored by six multilateral agencies including the IMF, ITC, UNDP, UNCTAD, WTO, and the World Bank. The implementation of this initiative was undertaken in FY02 by international organizations and bilateral donors, in order to assist LDCs in their integration into the international economy; it should be noted that 3/4 of the 45 eligible LDCs are in SSA.¹¹ The World Bank has increased its focus on trade by creating a new international trade department in FY03, designated to support the expanding work program on trade and improve the coordination between different networks.¹² Preparatory to the IF process is the carrying out of country Diagnostic Trade Integration Studies (DTIS) to identify key constraints to a country's integration into the multilateral trading

¹¹ In FY02 IF country diagnostic studies of trade integration, were conducted by the trade department in 5 African countries, at the expense of \$2-3 million in Bank and Trust Funds (Mauritania, Madagascar, Malawi, Lesotho, and Senegal); For FY03 5 more IF studies are programmed for Burundi, Eritrea, Ethiopia, Guinea, and Mali; another 19-15 of the African LDCs might eventually participate in this initiative.

¹² PREM, DEC, ESSD, WBI, and others; an investment climate unit in DEC had previously been established to undertake and coordinate research on behind-the-border issues.

system and the global economy. By highlighting the links between gender and trade this concept paper aims at helping to incorporate a gender approach in the DTIS process, in order to enable policy makers identify potential needs for specific compensatory measures to improve the effectiveness of trade policies and ameliorate their negative impacts.

III.b.7 A recent concept paper for a Burundi DTIS, for example, articulates the purpose of the DTIS as to assist in: - identifying ways to rehabilitate existing agricultural production; - developing new export products; - and, in exploring the potential for better processing of existing products so as to obtain a greater share in the value-added in the processing chain. Specifically, it will identify where technical assistance would be useful; - it will review the existing institutional and administrative structures and will seek to provide appropriate recommendations; - it will examine the capacity of key public sector institutions to formulate and carry out trade policy, and to assess existing mechanisms for inter-ministerial as well as public-private dialogue on trade; - and, it will analyze the capacity of the private sector and other members of civil society to participate in discussions on trade¹³. It will seek to establish linkages between current policies and those essential to impact on poverty reduction. It is not explicitly articulated, however, whether there will be a review of the linkages between gender and trade expansion and of the significance of identifying measures that might be necessary in order to improve women's productivity, for example, and thus enhance competitiveness and the effectiveness of the recommended trade policies.

Agriculture in Burundi is the mainstay of the economy, employing over 90% of the active population, accounting for 50% of GDP. The incidence of rural poverty has increased by 80% since 1993 while that for urban areas has doubled correspondingly. It would be imperative for DTIS to look into who is involved in agricultural production and in agri-business and under what conditions and constraints, and whether a group of producers (women for example) need special support measures to enhance their productivity, such as access to land, credit, training, or flexible work schedule in food processing establishments. According to World Bank estimates on Gender Intensity of Production by Country and Sector¹⁴ women's contribution to agricultural production in Burundi is over 52%; and, over 83% of women work in agriculture. And, it might be added that, these data do not fully capture women's involvement in food processing and storing for household use and for the informal market. It will be important, therefore, for the DTIS in Burundi to evaluate trade obstacles and opportunities through a gender lens.

¹³ World Bank. February 2003. *Burundi Diagnostic Trade Integration and Competitiveness Study: Concept Paper*. Africa Region. Washington, D.C.

¹⁴ Mark Blackden, December 2002. *Measuring Men's and Women's Contribution to African Economies – The "Gender Intensity Production"*. The World Bank.

III. c *Trade Expansion Through a Gender Lens: Selected Industry Cases*

III. c.1. **Apparel Industry**

III.c.1.1. This industry is female labor intensive, with considerable gender wage gap and relatively low wages, low capital requirements and thus high relocation possibilities, low skill and technology requirements, quick response to market trends and among the traditional LDCs' export industries. Driven by a substantial comparative advantage, exports of these labor-intensive goods originating from developing countries have grown exponentially in the last decade, according to a World Bank study.¹⁵ These exports could soon grow even more quickly for the LDCs in SSA because of the continuous relocation of the firms seeking the most suitable locations, declining transportation costs, improved economic and political conditions, and trading preferences given to LDCs by arrangements such as AGOA and Cotomou, and the elimination of MFA.

III.c.1.2. There are questions, however, as to how are the benefits from this expansion in the apparel industry distributed, what are the associated welfare effects for the different members of the households, and as to whether there could have been even higher benefits in the absence of gender disparities. There are questions as to whether and to what extent this export-led growth helps close the gender gap in the labor market and the gender wage gap and as to whether this export boom is sustainable, given the expected elimination of preferential market access (from AGOA, MFA, Cotonou Convention, and the take over of WTO rules. See Appendix A.)

III.c.1.3. There appears to be a consensus among researchers, nevertheless, that even in the case that a substantial portion of the benefits goes to a few entrepreneurs, employment in this fast growing exports sector may represent the best route out of poverty and economic vulnerability for a great number of individuals. As cash income and higher wages attract women out of unpaid family work, informal activities, and unemployment, women are given an opportunity to enter the formal labor force and improve their economic independence. Furthermore, additional benefits previously unknown to many workers, such as healthcare and paid leave, are increasingly provided to workers in this export oriented and foreign influenced sector. Thus, according to this point of view, employment that appears as exploiting low paid workers may be envied and eagerly sought by an increasing number of individuals in LDCs.

This rational, however, stops short of fully evaluating the welfare effect on women from their paid employment in the apparel industry, since it does not take into account the possibility that women's formal employment might add a serious burden to their already heavy load of responsibilities and activities, reducing thus their welfare. Women's higher earned income from additional employment increases households'

¹⁵ Alessandro Nicita and Susan Razzaz. April 2003. *Who Benefits and How Much? How Gender Affects Welfare Impacts of the Booming Textile Industry*. Development Research Group, Trade and Poverty Reduction and Economic Management Network, Gender Division, Policy Research Working Paper 3029. World Bank.

purchasing power and is assumed to affect the allocation of household budgets towards higher spending on children's education, with beneficial impacts on the accumulation of human capital.

III.c.1.4. The case of the apparel industry in Madagascar, with labor costs about half of those in India and China and about one quarter of those in neighboring Mauritius, is telling here. It has recently grown substantially as a result of local entrepreneurial initiative and, most importantly, as a result of the relocation of apparel industries to Madagascar from the neighboring Mauritius because of large wage differentials between the two countries. The mobilization of the female labor force has been a key element in the industry's expansion and in the process of the country's economic development. Nicita and Razzaz (2003) calculate that, assuming a 20% growth per year for five years in the industry, approximately one million people will have their purchasing power increased by 24%, *with the gains of male workers being approximately double of those of female workers: especially for the unskilled female workers, which represent about 38% of the labor force in the apparel industry, the monetary gains would be small.*¹⁶

III.c.1.5. Neighboring Mauritius experienced economic boom in the 80' and early 90', with its female labor-intensive apparel sector increasing by 20% per year (with 22% increase in its employment and 12% increase in its exports). Labor shortages soon developed, however, pushing wages upwards and entrepreneurs to relocate to neighboring Madagascar. That relocation offered employment and cash income to women in the latter country potentially at the expense of women's cash income in the former, who might have experienced higher wages if the apparel industry had not relocated.¹⁷

III.c.1.6. The apparel industry in Madagascar gives employment to the poor in the country. About 39% of households for which one or more members were employed in this sector reported expenditure below the poverty line in 1999, with 25 % of them having a man and 44% having a woman employed there. Most of the workers are young, with female workers being younger than their male counterparts. These workers, however, are better educated than the national average, with men having significantly higher education than women. Close to 80% of male workers have permanent salaried positions while the corresponding figure for women is about 57%. In addition, 17% of women have temporary jobs, as compared with 3% of men. The median wage for men is about \$47 while that for women is \$28, with this gender wage differential decreasing with the advance of educational level¹⁸. Further estimates by Nicita and Razzaz, however, indicate that the wage discrimination faced by women in the apparel sector is similar to

¹⁶ Ibid. p.5.

¹⁷ The Mauritius success has been summarized into a few key elements: the creation and implementation of effective Export Processing Zones (EPZ); a sound set of trade and economic policies; a favorable climate that attracted foreign direct investments and finally, preferential access to markets of major trading partners (even though the country does not qualify as LDC).

¹⁸ In addition, historical data indicate that while wages for men increase with age, wages for women peak between 30 and 40 years of age, which might be explained by the importance of manual productivity for the earnings of a significant share of the female labor force

that in other sectors, there is a 25% premium for male workers across the economy as a whole, and that women experience a much lower wage growth than men.

III.c.1.7. As regards previous employment of new entrants in the apparel industry in Madagascar, a survey indicates that only 14% were previously employed in the formal labor market, 34% were employed in the informal sector, while 52% were unemployed or employed within the household. Almost half of the female new entrants (as compared to 28% of males) were unpaid family workers or unemployed. About 75% of new entrants had not received any fringe benefits, like pension, paid leave or healthcare in their previous occupation. Of the female workers about 60% were married, and 10% were heads of the household. In the case of households in which one or more female members are employed in the apparel sector, the women's share of the households' monetary income rises from 8% to 33%. Considering the fact that the majority of the women who find new employment in the apparel sector have never directly received any monetary income in past employment as compared with only 15% of new male entrants, the availability of new cash income for women is a substantial change for their households, leading to changes in intra-household dynamics and possibly affecting family budget allocations to child education or healthcare not available before.

III.c.1.8. In summary, this study by Nicita and Razzaz concluded that female workers benefit substantially less than male workers, due primarily to different skills, employment position, and general market discrimination. The gender wage gap in the apparel industry is substantial, as male workers receive a 30% wage premium compared to equally qualified female workers. On the average, jobs held by men have a paycheck 50% larger than those held by women. This study also revealed that apparel jobs that require less skilled workforce, most of which are held by women, are unlikely to experience any significant increase in real wages. And upward pressure on unskilled wages is unlikely to occur as long as there is a large reserve of unskilled labor force and a continued high turnover in jobs. Nevertheless, this industry offers opportunity for women to enter the labor market, to obtain economic independence and to actively contribute to economic development and reduction of poverty.

III. c.2. **Horticultural Industry**

III.c.2.1. The promotion of export horticulture in SSA has often been proposed as a pro-poor development strategy due to its intensive use of land and of unskilled labor. Horticultural exports have grown dramatically in a number of SSA countries while many other agricultural commodities have faced stagnation and declining world prices. Imports of fresh and chilled leguminous vegetables into the EU, for example, rose by 133% between 1989 and 1997 with almost three quarters of the value of these exports coming from SSA (Dolan, Humphrey et al, 1999).

III.c.2.2. The case of horticultural production in Kenya is another example of trade related growth industry with gender implications. Horticultural exports started in Kenya during the World War II and between 1963 and 1991 they rose by approximately 12 times in tonnage and 40 times in value; by late 1990s the country supplied 75

horticultural products to overseas markets, not only as raw products but also as pre-packaged and pre-prepared vegetables (Jaffe 1995; Dolan and Humphrey 2000). Initially these goods were produced by local smallholders but by late 1990s 40% came from exporters' own farms, 42% from large commercial farms, and only 18% from smallholders (Dolan and Humphrey 2000.) The tightening of European regulations on pesticide use and the costs of collecting output from multiple smallholders appears to be leading to greater concentration of production on large farms in which growing conditions can be more carefully controlled. As already mentioned, compliance to international standards is crucial to export prospects and horticultural products are particularly sensitive to production conditions and customer preferences. These products require high quality control and uniformity in production hence the tendency away from independent small farmers towards large establishments with paid labor. It should be pointed out also that surviving small holders who produce for export horticultural companies benefit from both higher incomes and the access to credit and extension services which exporters provide.

III.c.2.3. Horticultural production offers paid employment mostly to female unskilled and semi-skilled workers in the peri-urban areas on a casual basis or on short seasonal contracts. Wages are low but typically well above the government set minimum wage¹⁹. And, given the lack of job opportunities in rural Kenya and the increase in the number of landless and marginal farmers, the industry provides an important source of additional income for unskilled land-poor households, many of which are headed by women. A special sample household survey showed a strong negative association between participation at horticultural production and households with young children, probably indicating the inflexibility in the time requirements for the production of these sensitive products, that creates difficulties in the care of young children.

IV. Overview of the Linkages between Gender and International Trade

IV.1. Trade liberalization is often associated with *rising women's share in paid employment*, such as in apparel and horticulture industries, as the UNDP Human Development Report (1999) points out. This, however, does not necessarily mean overall reduction in labor market discrimination against women, who are mostly concentrated at the lower levels of pay, skill, and hierarchy, nor does it necessarily lighten women's share of unpaid household work. And, increased income by women does not necessarily mean corresponding increase in women's 'voice' in decision-making in the household and community levels.

IV.2. This, however, should not obscure the fact that women *farmers have been displaced* as a result of trade liberalization more than men in developing countries, since they have less access to resources and credit with which to protect themselves from the negative impacts and take advantage of the positive effects of trade expansion (UNDP 1999). Fontana and Wood (2000) also point out that trade liberalization which creates

¹⁹ Neil McCulloch and Masako Ota. *Export Horticulture and Poverty in Kenya*. Institute of Development Studies, University of Sussex, Brighton, UK

jobs in female intensive exporting sectors may also destroy jobs in sectors producing import substitutes. In order to understand the impact of trade on gender realities we need to track down how the effects in specific sectors filter into the rest of the economy and analyze how these effects in the market economy influence and are influenced by behavior in the unpaid household economy where women are the main workers. Leisure/rest time and reproductive activities must be included as distinct sectors in order to gain sight of much of women's work and thus get a complete picture of the trade impact²⁰ on each member of the households.

IV.3 As regards the impact of trade expansion on the *gender wage gap* academic research is inconclusive about its direction and magnitude, though studies on East Asia indicate that competition from foreign trade in concentrated industries is positively associated with wage discrimination against women.²¹ In Taiwan greater trade openness is associated with wider residual wage gap between men and women, particularly when openness is measured by the manufacturing import ratio. Import competition appears to widen the wage gap by adversely affecting women's relative employment prospects, leading to a loss of bargaining power for women. Women in Taiwan appear to be bearing the brunt of employers' competitive cost-cutting efforts. This finding lends support to the non-neoclassical approach that wage and employment discrimination are consistent with rising industry competitiveness. Contrary to the experience in Taiwan, in Korea a slight reduction in export openness, coupled with less competitive industrial structure, appears to be associated with gradual narrowing of the manufacturing-sector gender wage gap. Results for both countries imply that concerted efforts to enforce equal pay legislation and apply effective equal opportunity legislation are crucial for ensuring that women's pay rates will match those of men in a competitive environment.

IV.3. As export production structures become more technologically advanced they become higher-skill male-worker oriented, making the need for gender equality in education and training even more pronounced.

IV.4. Intensified competition from trade openness and budgetary repercussions from compliance to trade agreements have tended to limit public resources available to education and health services for the poor, among which women are highly represented.

²⁰ Marzia Fontana and Adrian Wood. 2000. *Modeling the Effects of Trade on Women at Work and at Home*. World Development, Vol 28, No 7 pp 1173-1190.

²¹ Academic research indicates that international trade acts as an agent for industry competitiveness, with direct repercussions for how female and male employees are treated in the labor market. It has also shown, however, that two longstanding theoretical approaches to labor market discrimination generate opposing predictions on the impact of international trade on wage discrimination against female workers. If discrimination is costly, as argued in neoclassical theory based on Becker (1959), then increased industry competitiveness from international trade reduces the incentive for employers to discriminate against women. Competitive forces from international trade should then eliminate discriminatory pay differentials in the long run. In contrast, the non-neoclassical approach views discrimination as entirely consistent with industry competitiveness, particularly if women are segregated into low-paying jobs and face other impediments to their bargaining positions in pay negotiations (Gunseli Berik, Yana van der Meulen Rodgers, Joseph E. Zveglic Jr. December 2002. *International Trade and Wage Discrimination: Evidence from East Asia*.)

IV.5. Trade agreements present both obstacles and opportunities to trade and growth in the long term and their long-term adverse impacts need to be addressed with compensatory measures. Aileen Lwa (1998), for example, argues that with the implementation of the Agreement on Trade-Related Intellectual Property Rights (TRIPS) the knowledge of women is being patented by large corporations when such corporations use their patents on plant varieties and seeds to dominate markets, especially in the pharmaceutical and agricultural domains, monopolizing what was previously community-owned knowledge and life source. These dangers are compounded by the monopolization of the seed industry by transnational corporations coupled with huge investments in biotechnology

IV.6. In summary, most of the factors that affect trade affect gender as well, such as supply/demand for labor, wage rates, productivity, competitiveness, and infrastructure (financial, institutional, regulatory, cultural, educational, administrative, transportation, et.). Therefore, a 'gender impact assessment' approach to trade expansion and trade negotiations (see Appendix A) is necessary in order to develop the most effective pro-poor growth and poverty reduction policies. The linkages between trade and gender could schematically, though very crudely, be presented as follows:

Linkages Between Gender and Trade Expansion

<i>Systemic Gender Inequities</i>	<i>Gender-Related market Effects</i>	<i>Trade-Related Market Effects</i>	<i>Trade Related Gender Effects</i>
<ul style="list-style-type: none"> - Limited (women's) <i>access and mobility to Employment opportunities</i>; - Lower (women's) <i>Pay for Equal Effort</i> - Reduced (women's) <i>earned income</i>; - Limited (women's) <i>access to resources, credit, technology and other inputs to production</i>; - Limited <i>access to public services and means to improve skills</i>; - Higher (women's) <i>'invisibility' in production activities</i>; - Higher (women's) <i>'burden in effort and time' (welfare, time constraints)</i>, as a result of women's combined responsibilities and activities in the formal, informal, and household sectors - Limited (women's) <i>'voice', or effective participation, in decision making in macro- and micro-economic issues, as well as within the household</i>; 	<ul style="list-style-type: none"> - <i>Sector/industry specific Reduced Supply of Labor</i>; - <i>Reduced response to demand for labor</i>; - Reduced (women's) <i>purchasing power</i> - Reduced (women's) <i>productivity</i>; - Reduced (women's) <i>productivity, human capital accumulation, and women's and households' welfare</i>; - <i>Errors in SNA Estimates, affecting policy decisions</i>; - <i>Lower women's response to employment incentives</i>; - <i>Errors and inefficiencies in policy decisions and their implementation and in household budget allocations affecting women's and households welfare, and human capital accumulation.</i> 	<ul style="list-style-type: none"> -Sector/industry specific <i>increased demand for labor</i>; - <i>Changes in women's relative wages</i>; - <i>Increased women's purchasing power</i> - <i>Demand for higher productivity and changes in infrastructure (e.g. financial, institutional)</i>; - <i>Demand for higher productivity and infrastructure reform</i>; - <i>Demand for effective policies</i> - <i>Employment Incentives</i> - <i>Demand for effective policy decisions</i> 	<ul style="list-style-type: none"> - <i>Sector specific increase in women's employment</i>; - <i>Changes in gender wage gap</i>; - <i>Increased women's status</i>, - <i>Pressure for changes in infrastructure (financial, institutional) and women's access to resources, credit, etc</i> - <i>Pressure for changes in infrastructure and women's access to public services and training</i>; - <i>Pressure for higher women's visibility in production activities and more effective policy decisions</i>; - <i>Pressure for changes in household dynamics via redistribution of responsibilities</i>; - <i>Pressure for higher women's participation in decision making and more effective macroeconomic policies</i>;

Review of International Trade Agreements Through the Gender Lens

a. *Overview*

Experts in the field do not agree on the overall effect of international trade agreements on poor developing countries. Some argue that they provide a framework for constraint of excessive influence or control by the rich developed countries over the poor developing ones, which are disparate to access international markets and thus enhance their growth prospects. Others maintain that the plight of developing countries has been compounded by the fact that developed countries have taken coordinated proactive measures through international agreements to protect their emerging industries in services, information, and medical technologies at the detriment of LDCs. The latter argue that such agreements are the Trade Related Intellectual Property Rights Agreement (TRIPs) and certain provisions of the General Agreement on Trade in Services (GATS). Protection of intellectual property rights on medicines, for example, has made medicine for treating HIV/AIDS unaffordable in Africa. Restrictive rules of origin under some preferential trade agreements and excessive technical standards also act as non-tariff barriers to the detriment of developing countries.

At the same time preferential market access arrangements in favor of exports from LDCs, such as AGOA for SSA, have given significant boost to specific industries, such as the apparel industry discussed above. A brief review of selected key trade agreements through gender and pro-poor lens is given below.

b. *Selected Major Trade Agreements.*

b.1. The ***Trade Related Intellectual Property Rights Agreement (TRIPs)*** entered into force in 1995 and contains minimum standards to protect intellectual property in the areas of copyrights, trademarks, industrial designs, patents including the protection of plant varieties, etc. It is meant to open markets to high technology products for the benefit of consumers all over the world, including those in developing countries.

The agreement's safeguards for property rights are not necessarily pro-poor or gender 'neutral'. By forcing openness to international trade and copyrights they may have gender implications for a number of developing countries in agriculture, for example, affecting food security, nutrition, and transfer of technology, and in turn affecting productivity and competitiveness in this sector where significant gender disparities are present. They may also affect women's roles in developing and transmitting traditional knowledge in health care. The most publicized implications from TRIPs for developing countries are those associated with the pharmaceutical industry and with public health, such as the availability, at affordable prices, of medicines for HIV/AIDS.

Patents on seeds and microorganisms, for example, increase the cost of seeds and fertilizers, which put resource poor farmers, many of whom are women, at a severe disadvantage. Given women's limited, relative to men's, access to cash and credit, which are necessary to facilitate the purchase of fertilizers and seeds, women farmers may be subjected to greater negative effects from TRIPs than men, and run a higher risk of falling into chronic indebtedness. It may be argued that small farmers at the subsistence level, many of which are women, do not buy fertilizers or seeds anyway, thus this point is mute. Some scientist claim, however, that in reality small subsistence farmers might not have a choice if genetically altered seeds are widely used in neighboring fields and affect their crops making it impossible for them to use their seeds (which have become sterile). It may be worth elaborating this point further, even though it might appear to be of limited application.

The issue is that despite a clause that excludes plants and animals from being subject to patent, the US law continues to grant patents for plants and animals. This is because the phrase 'plants and animals other than microorganisms' is interpreted as not including *parts* of plants and animals, or *altered* plants and animals. It appears that the patenting of biological organisms is therefore allowed. Specifically for plant varieties, protection under TRIPs is provided by patents or by a '*sui generis*' system (an independent legal protection specially designed for) or a combination of the two; LDCs must provide such a system by 2005. Experts argue, however, that in reality these arrangements will not protect farmers' rights but will only protect breeders. By adding a gene or two, a product is termed a "new invention" and is marketed under patented protection. Developing countries then would have to pay internationally and monopolistically set prices for what their women farmers had often cultivated and nurtured for years. Indeed, the invention by Monsanto called "terminator technology" (Control of Plant Gene Expression), which will permit its owners and licensees to create sterile seeds by selectively programming a plant's DNA to kill its own embryo, may trigger off an agricultural nightmare. This technology has been created to prevent farmers from saving non-hybrid, open pollinated or genetically altered seeds sold by seed companies.

b.2. The *Trade Related Investment Measures (TRIMs)* prohibits traditional protective measures against foreign investments, such as domestic or local content requirements on labor and inputs into the production process. The positive aspect is that the elimination of constraints is expected to attract foreign direct investments (FDI) to developing countries, which would help expand their trade and thus stimulate their growth; and depending on the participation of men and women in the labor force of the affected industries there may be gender differentiating impacts. For FDI to materialize, however, developing countries would have also to improve their infrastructure and take other supporting measures, as well to create an inviting business environment. To the extent that TRIMs result in higher investments they might have gender implications, given the differences in gender disparities and inequalities between the various industries, sectors, and locations in SSA.

Under this agreement governments have to change tax and company laws to remove existing favorable treatment to local investors and to create favorable conditions for foreign investors. Governments, however, would no longer be able to plan the sector(s) in which they would like to have FDI or circumscribe the extent of foreign investment in particular areas of the economy. Local producers and markets may be easily destroyed. To the extent that more women than men are active in the micro and small business sectors, a group most in need for support, there would be a gender effect from the lack of government support due to TRIMs prohibitions. Gender implications would also vary according to which industrial sector FDI go to. The actual effects from TRIMs would be country and location, sector, and industry specific, thus evaluation of any gender impacts from TRIMs would have to be case related, and empirical research in this field is needed.

b.3. The *General Agreement on Trade in Services (GATS)* sets rules on how countries treat foreign service providers and seeks to eliminate all measures affecting trade in services, including government laws, policy and regulatory and administrative rules, such as grants, subsidies, licensing standards and qualification, limitation on market access, food safety rules, local content provision, nationality requirement, residency requirement, technology transfer requirement, restriction on ownership of property or land, and tax measures which affect the foreign provision of services. This agreement covers any service except those services supplied in the exercise of government authority, which is interpreted as ‘supplied neither on a commercial basis not in competition with one or more service supplier’; thus this agreement practically covers all services with the exception of the military (and, central banking, social security and the provision of service of trade negotiators.). Technically, participating member countries do not have to commit themselves to removing constraints to services in *all sectors*; they can negotiate the timing and extent of their commitment to the requirements of GATS. There is concern, however, that under pressure from lobbying in developed countries, LDCs and other poor countries might commit themselves to opening their economies to GATS beyond their capabilities and interest of the poor in their societies.

This agreement is supposed to benefit consumers in developing countries as well, by improving the quality and reducing the costs of services through international competition. There will be a price tag attached to services, however, which might be beyond the reach of the poor and have gender implications, irrespective of how competitive that price may be. ‘Commercialization’ of certain services in SSA, such as those in health and water provision, may have significant adverse effects for the poor, among which women are highly represented, and for women in particular, due to their household responsibilities and to their limited systemic access to health, education and basic social services. To the extent that it improves the availability of services to those who can afford them, GATS has positive effects. To the extent, however, that it contributes to the reduction of public services to those who can not afford to buy them at market prices, (because of domestic budgetary cuts, for example) it may have negative repercussions for the poor in general and for poor women in particular.

At an NGO meeting at the World Health Assembly (WHA) in Geneva in May 2003 representatives argued that national health insurance systems can be seriously undermined by privatization and openness to foreign competition²². They pointed out that the EU is attempting to use the current round of GATS negotiations to open up the water sectors in 72 other WTO states - including both developing and LDCs; and this, while there is evidence from developing countries across Latin America, Africa and Asia that privatization and liberalization of water systems typically raise water charges beyond the reach of many poor household and can cause severe health problems, especially among children. Another point raised was that the out-migration of trained health personnel from developing countries, which is facilitated by GATS, may increase the foreign remittances to foreign exchange deficient countries but at the same time it reduces the quantity and quality of domestic health services, with women and children the primary victims.

Reference to the above risks is not meant to minimize the potential contribution to growth and societal welfare from the liberalization of services under GATS. Access to international markets of services may boost the expansion of some service industries in developing countries, like electronics in Mauritius, offering employment opportunities to women as well. Expansion in communications and information services becomes increasingly a necessary condition for increased productivity and sustainable growth in developing countries, to the benefit of all, rich and poor, men and women, though to a different degree. It should be kept in mind, however, that women seem to be crowded to the lower employment and wage ranks in most services industries, such as data processing, increasing thus the systemic gender inequities. Trade reforms or liberalization policies need to take these potential gender effects into account and include compensatory measures if they are to yield maximum and gender equitable benefits.

b.4. The *Agreement on Agriculture (AoA)* imposes conditions on domestic support for agricultural production. The negative impact of this agreement will be felt more by small farmers, many of which are women producing food for the informal market in addition to that for household consumption. In terms of monetary volumes, most of the agricultural subsidies in SSA have been going to big farmers with large fields and their elimination is not expected to be as critical as it is for the small farmers. To the extent, however, that the AoA requirements affect government support for small farmers they would have gender implications, given the over representation of women among them. For small farmers to survive market openness they require more support not less in order to access technology, for example.

The imports of lower priced food products would, of course, benefit consumers. They could, however, decrease the income of small traders of food products in the informal market, many of which are women without alternative sources of income. Such imports put a downward pressure on farm gate prices and along with the removal of subsidies could create hardship for small farmers and on women in their roles as provider

²² World Health Assembly (WHA), May 2003. Joint submission by Health Care and Development Groups and NGOs on “ The GATS Threat to Public Health”. Geneva.

of family food, diminishing their food security. As a result, women may have to increase time spent in home food processing.

The combined implementation of AoA and TRIMs is likely to promote further the incorporation of agriculture since TRIMs prohibits selected investment.

b.5. The *Multi-fiber Arrangement (MFA)* has governed the world trade in clothing for a long time, by a range of quantitative restrictions. Countries were given exact product quotas for export to certain markets (primarily the USA and Europe) on an annual basis, which were mostly filled by sub-contracting via international links. When these quotas were filled, contractors (mostly foreign) moved to other locations, with unfulfilled quotas, in order to expand. This encouraged and diversified production between developing countries but at the same time restricted the growth of their industry. The MFA has had significant gender effects by offering paid employment opportunities to women in the formal labor market. At the Uruguay Round, however, it was agreed that these arrangements would be phased out over a period of ten years (by January 1, 2005),

Though the positive direct income effect from expansion in paid employment for women in the apparel industry is clear, researchers do not agreed on the welfare impact from MFA on women directly, and their families indirectly. The welfare impact depends on the specific socio-economic-gender circumstances. Specifically, shifts in women's employment to the formal sector from the informal and household activities may have negative welfare effects on women and their families because of excessive burden on women's responsibilities at the household level. In addition, there may be gender effects associated with the fact that as the textile and apparel industries expand, new technologies and product diversification may lead to shifts in labor composition towards men and higher skilled workers. For more precise evaluation, estimates have to be case specific. (For more see above, the study case of apparel industry in Kenya)

Similar or reversed gender related questions can be raised in regards to the removal of MFA. According to Fontana, Joeques and Masika (1998)²³ SSA countries are expected to lose their already very small export shares, and suppliers with the lowest costs will benefit the most. This might have a depressing effect on the already low wages for women in the textile export sector. When spill over effects on other export sectors are taken into account it is not certain what the overall employment effects on women in the formal market would be from the removal of the MFA quotas. Some argue that in a post-MFA world the market will be supplied to a much greater extent by developing low-income country producers, since garment production is highly labor intensive and automation has not proven viable. Promotion and sustainability of growth in the apparel and textile industries in SSA, however, depend on stability and certainty in product demand and market access, which are not provided by the current trade arrangements; the MFA is being phased out, AGOA's future is uncertain, and the WTO developments regarding 'market access' are still in the making.

²³ Marzia Fontana, Susan Joeques and Rachel Masika. January 1998. *Global trade Expansion and Liberalization: Gender Issues and Impacts*. Report No 42, BRIDGE, p 31.

b.6. ***Regional and Sub-Regional Trade Agreements (RTA) and Export Promotion Zones (EPZ)***. Such agreements have proliferated in SSA for some time without much success so far. According to some views, there is much greater political enthusiasm now for regional integration than for unilateral trade liberalization. There are at least 16 main cooperation agreements among the 48 countries in SSA plus some countries in North Africa, such as Egypt and Morocco. The specific objectives of these agreements vary but all aim at the facilitation of trade among their members. There is, however, some overlapping and inconsistencies among regional agreements, particularly in eastern and southern Africa which need to be harmonized in order to make sure that they facilitate rather than create obstacles to trade.

The Common Market of Eastern and Southern Africa (COMESA) has the highest participation of member states. It is a regional grouping of 20 countries in Eastern and Southern Africa, spreading all the way from Egypt in the north down to Namibia and Swaziland in the continental south, and including the adjacent Indian Ocean states of Comoros and Seychelles. It was established in 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which had been in existence since 1981. COMESA member states have agreed, among other things, on the need to create and maintain:

- A full free trade area guaranteeing the removal of all tariffs and non-tariff barriers for goods and services produced within COMESA;
- A customs union under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA countries;
- Free movement of capital and investment supported by the adoption of common investment practices so as to create a more favorable investment climate for the COMESA region;
- Adoption of common visa arrangements, including the right of establishment, which will lead eventually to the free movement of bona fide persons.

In West Africa countries have rekindled effort since the second half of the 1990s to enhance cooperation and accelerate integration within the framework of the West African Economic and Monetary Union (WAEMU or UEMOA) and the Economic Community of Western African States (ECOWAS). They have developed a comprehensive sub-regional policy agenda to support reform programs, to overcome small market size and fragmentation and improve scale and competition, and thus accelerate economic diversification and growth.

Export Promotion Zones (EPZ) have often been used to facilitate trade among member states with significant gender implications. According to a World Bank review²⁴ on the gender and trade literature, at least three quarters of the labor force in most EPZs are women, who are usually in the semiskilled and management positions (El-Kogali & Nizalova 2002). Specific impacts, however, depend on country- and sector-specific

²⁴ Mark Blackden. June 2003. *Gender and Growth in Africa: A Review of Evidence and Issues*. Chief Economist's Office, Africa Region, The World Bank.

characteristics, comparative advantage, the prevailing productivity and status of men and women, and a host of other factors.

In general, however, inter-regional trade still accounts only for 10% of total SSA trade, thus the realization that RTAs must also have an outward-looking trade orientation. Inadequate transportation, weak and inefficient financial system and administrative services, as well as governance problems, are assumed to be major impediments to regional integration. Diverse and non-transparent national standards and implementation procedures may further limit cross-border trade in Africa where the capacity to undertake risk assessment is very low. Enforcement of standards within the region is also difficult, due in part to porous borders that support a significant volume of informal exchange of goods by small traders. And, many small cross-border traders are women for whom the lack of financial services appear to be a special impediment since it forces them to physically carry their savings across borders becoming victims to highway robberies.

b.7. *The African, Caribbean and Pacific (APC) Conventions (Lome and its follow up Cotonou)* between EU and ACP countries offered preferential access to EU markets for agricultural products, the traditional exports, of these countries. Given the gender realities in agriculture in SSA, as already mentioned, the gender effects from these conventions are evident. This preferential market access, however, is expected to gradually disappear with the progressing liberalization of trade and the reduction or elimination of tariffs and other trade barriers with the ‘take over’ of trade arrangements by WTO in a few years (2008).

A selected review of the literature indicates that there is no agreement among the researchers as to whether the performance of ACP countries in world trade has improved by the trade arrangement under Lome. Some countries, like Kenya and more recently Uganda, have been successful in developing non-traditional agricultural exports (NTAE), especially horticultural products, but the sustainability of these agricultural industries is in doubt, primarily due to the uncertainties about the continuation of the preferential market access on which they are based.

As already discussed earlier (III.c.2) women appear to be involved more in horticulture than in the traditional agricultural production, not only as family labor and own-account farmers but also as ‘wage labor’, providing the bulk of the quasi-industrial labor force mobilized by large firms. According to Fontana, Joekes and Masika (1998), evidence from Uganda suggests that women own account farmers may find it easier to switch to growing NTAE than to traditional export crops like coffee. This may increase women’s income earning capacity, independently from the constraints they face in accessing and owning land, thus strengthening their bargaining position within the household and increasing the family welfare. Others point out that trading of horticultural products requires high quality control and very efficient transportation arrangements, which are not available to small operations; they maintain that successful horticultural businesses are expected to be concentrated in large production units with access to reliable transportation system, which offer paid employment to farm labor in rural areas.

The potential losses from the gradual elimination of preferences in market access under the Cotonou Convention are not expected to be high, since the majority of ACP exports have duty-free access to the developed countries anyway.

b.8. *Everything But Arms (EBA)* is an EU initiative, introduced in March 2001, which offers free access to the European Union markets for all products from LDCs except arms. However, the majority (over 97%) of exports from LDCs already receives preferential access to the EU markets under the Lome and Cotonou Conventions and under the EU Generalized System of Preferences (GSP), which was introduced in 1970. Therefore the changes introduced by EBA in 2001 are relatively minor²⁵. The main advantage offered by EBA is that preferential market access is granted for unlimited time and is not subject to period reviews. This provides exporters and investors with greater certainty on access to the EU markets.

b.9. The *African Growth Opportunity Agreement (AGOA)* is a unilateral USA legislative initiative enacted in 2000 that provides free access to the US market for certain products from African countries. This preferential treatment is conditioned on some production criteria (country-of-origin rule, working conditions), and on other policy requirements (economic and foreign). A country's compliance with AGOA has to be certified by the US President after consultations during the annual review process. Countries may be added or eliminated from the list of beneficiary countries during the annual review, which adds an element of uncertainty in the sustainability of export expansion, with detrimental effects on investments in the relevant industries²⁶.

Most of the US imports under AGOA (82%) come from four countries. Nigeria, South Africa, Angola, and Gabon, They are mostly raw materials (75% crude Oil, 8.2% unwrought platinum, 4% diamonds); women and knit apparel represent about 7.6% of US imports under AGOA.

Textiles and apparel from all 48 SSA countries can get free access to the US markets on the condition that all material used come either from the USA or from SSA (country-of-origin rule.) This country-of-origin condition does not apply to the "very poor" SSA countries (LDCs), or to SSA countries that are "important to the US interests"²⁷ which can use materials from third countries as well. This third country exception for LDCs, however, expires in 2004.

The preferential treatment of 'very poor' SSA countries by AGOA offers opportunities for trade expansion, and apparel industries in certain countries have already taken advantage of them, such as in Kenya, Madagascar, Malawi, Lesotho, and Mali. In addition, South Africa and Mauritius have also taken advantage of AGOA, without the

²⁵ For more see Paul Brenton. February 2003. *The Value of Trade Preferences: The Economic Impact of Everything But Arms*. The World Bank.

²⁶ It should be kept in mind that the WTO system provides for equal treatment, without time limitations, and to all member state, while the various regional or unilaterally initiated preferential trade arrangements include exclusions and time limits.

²⁷ Thus Botswana and Namibia were granted this extra preferential treatment recently even though they were not classified as 'very poor'.

LDC country-of-origin exception, since they already had a booming apparel industry before AGOA²⁸.

Theoretically, this benefit of the ‘very poor’ countries could be at the expense of others that do not qualify as such, because of induced relocation of apparel production from the latter to the former, causing disruptions and unemployment, particularly among the female workers in the industry. However, there is no empirical evidence that this has taken place within SSA. What appears to have happened is that the growth of the apparel industry in some SSA countries has taken place at the expense of LDCs in other continents, such as Bangladesh, with negative gender repercussions there.

The rapid expansion of the apparel industry in Madagascar, which was discussed above, is an example of direct income effect from AGOA with positive gender implications. It was based on the availability of female labor at relatively low wages and provided women workers with cash income, may be for the first time for a number of them. Whether there were any negative effects on women’s welfare from the 60 hours work per week it would depend on what they were doing before and what other responsibilities they have now.

It is too soon, however, to tell about the long-term effects of AGOA in various SSA countries, since it has been in effect for just over a year and there is uncertainty about its continuation.

b.10. In *conclusion*, trade agreements pervade the economy as a whole, including fiscal, investment and competition policies, with serious impacts on social policies and gender inequities.

²⁸ . It is worth noting here that similar arrangements under the Caribbean Basin Initiative (CBI) have had much greater effect than AGOA, with total apparel exports ten times as much as those from SSA and under stricter country-of-origin requirements, that is without the third country exception for LDCs, probably due to the area’s proximity to the US.

***General Guidelines for Gender
Related Data/Information Gathering and Analysis***

As African countries seek to expand their trade sectors, diversify exports, and benefit from globalization, the following questions need to be answered in order to address the gender dimensions of the trade agenda, and thus enhance the growth and poverty reduction effects from trade expansion.

- *Where are the men and women in the industry and/or sector targeted for expansion? Are there wage differentials between men and women? Are female workers concentrated at the lower skill and lower pay levels?*
 - Need gender disaggregated data on number of employees by skill, education, pay level, age, seniority, length of employment, family status.
- *Is there discrimination against women's upward mobility in the industry or sector targeted for expansion?*
- *Is there a gender bias in the demand for labor in the targeted industry or sector?*
- *Are there constraints in women's access to and control over resources, including credit, in the targeted industry, sector, and the economy as a whole?*
- *Does trade liberalization threaten the livelihood of small business and farmers?*
- *Are there any support programs to small businesses and farmers, many of which are women, who may lose their livelihood?*
- *Are there any budgetary implications from trade liberalization and do they result in curtailment of public services?*
- *Does trade liberalization coincide with legal and traditional reforms to provide for equitable property rights for men and women?*
- *Is there a "social Dialogue" in formulating macroeconomic policy, so that the perspective of the poor, and poor women in particular, as relates to trade liberalization is taken into account?*

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ABBREVIATIONS

ACP	African, Caribbean and Pacific (countries)
ADB:	African Development Bank
AERC	African Economic research Consortium
AGOA	Africa Growth and Opportunity Act (USA)
AOA	Agreement on Agriculture
ATC	Agreement on Textile and Clothing
CAEMC	Central Africa Economic and Monetary C
CAP	Common Agricultural Policy (EU)
CAS	Country Assistance Strategy
CBD	Convention on Biodiversity
CEM	Country Economic Memorandum
CEMAC:	Economic and Monetary Community of Central Africa
CEPR:	Center for Economic Policy Research
CGE	Computer General Equilibrium
COMESA:	Common Market for Eastern and Southern Africa
CSGA	Country Strategic Gender Assessment
DAWN	Development Alternatives with Women for a New Era
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EBA	Everything But Arms (EU)
ECA	Economic Commission for Africa
ECOWAS	Economic Community of Western African States
EPZ	Export Processing Zones
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign Direct Investments
FIAS	Foreign Investment Advisory Services
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences (EU)
HIPC	Highly Indebted Poor Countries
IDF	Institutional Development Fund
IF	Integrated Framework (for technical assistance)
ITC	International Trade Center
LDC	Least Developed Country
MDG	Millennium Development Goals
MFA	Multi-fiber Agreement
MNC'	Multinational Corporation
MTS	Multilateral Trading System
NAFTA	North American Free Trade Agreement
NAALC	North American Agreement on Labor Co-operation
NEPAD	New Partnership for African Development
NGO	Non Governmental Organization

ODA	Official Development Assistance
POTA	Prevention of Terrorism Act (USA)
PRR	Policy Research Report (World Bank)
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PVP	Plant Variety Protection
RIAS	Regional Integration Assistance Strategy
RPED	Research Program in Enterprise Development
RTA	Regional Trade Agreement
SAC	Structural Adjustment Credit
SADC	Southern African Development Community
SAP	Structural Adjustment Program
SATRNET	South African Trade Research Network
SIDS	Small Island Developing States
SNA	System of National Accounts
SPS	Sanitary and Phyto-Sanitary (technical barriers)
SSA	Sub-Saharan Africa
STE	State Trading Enterprises
TA	Technical Assistance
TBT	Technical Barriers to Trade
TPRM	Trade Policy Review Mechanism (of WTO)
TRIMS	Trade Related Investment Measures
TRIPS	Trade Related Intellectual Property (rights Agreement)
TRP	Trade Policy Review
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UPOV	Union for Protection of New Varieties of Plants
UR	Uruguay Round (of GATT)
WAEMU	West African Economic and Monetary Union
WHA	World Health Assembly (Geneva, May 2003)
WTO	World Trade Organization

Primary African Regional and Sub-Regional Trade and Economic Cooperation Agreements

Eastern and Southern Africa: (7) EAC, SACU, SADC, COMESA; IGAD, IOC, CBI,
West Africa: (5) ECOWAS, WAEMU, CILSS, MRU, CDE
Central Africa: (2) ECCAS, CEMAC
North Africa: (2) AMU, NRB

AMU: Arab Maghreb Union (North – 5 countries - Algeria, Libya, Mauritania, Morocco, Tunisia)
CBI: Cross Border Initiative (East, South – 13 countries)
CEMAC: Economic and Monetary Community of Central Africa (Central – 6 countries – Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, Rep. of Congo)
CDE: Conseil de l'Entente (West – 5 countries – Benin, Burkina Faso, Cote d'Ivoire, Niger, Togo)
CILSS: Permanent Interstate Committee on Drought Control in the Sahel (West – 9 countries)
COMESA: Common Market of Eastern and Southern Africa (East/South – 20 countries)
EAC: East African Community (East – 3 countries – Kenya, Tanzania, Uganda)
ECCAS: Economic Community of Central African States (Central – 11 countries)
ECOWAS: Economic Community of Western African States (West – 15 countries)
IGAD: Inter-Governmental Authority for Development (East/North – 7 countries – Djibouti, Ethiopia, Eritrea, Kenya, Somalia, Sudan, Uganda)
IOC: Indian Ocean Commission (East/South- 5 countries – Comoros, Madagascar, Mauritius, Reunion, Seychelles)
MNU: Mano River Union (West – 3 countries – Guinea, Liberia, Sierra Leone)
NRB: Nile River Basin (East/North – 10 countries)
SACU: Southern African Customs Union (South – 5 countries – Botswana, Lesotho, Namibia, South Africa, Swaziland)
SADC: Southern African Development Community (South – 14 countries)
WAEMU: West African Economic and Monetary Union (West – 8 countries - Benin, Burkina Faso, Cote d'Ivoire, Guinea, Mali, Niger, Sierra Leone, Togo)

Notes

Cotonou Convention is the successor to Lome IV Convention between EU and ACP Countries (African Caribbean, and Pacific)

Quad: The four developed countries/groups (Canada, European Union, Japan and the USA)