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EXPORT IMPACT
FOR GOOD

CASE STORY ON GENDER DIMENSION OF AID FOR TRADE

**Special Export Zones (SEZs) and its Pact on Women Workers
in the Garment Manufacturing Industry in Andhra Pradesh**



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Executive Summary

Though Gender mainstreaming was identified as "the process of assessing the implications for men and women of any planned action including legislation, policies and programmes, in all areas and at all levels" and should be done to analyse the impact of macroeconomic policy on both women and men, it was not done for Trade. This led to increasing gender inequalities. Other Aid Effectiveness strategies addressed issues of good governance through harmonization of laws, policies and procedures according to the functioning of the recipient country's to ensure ownership, it again left out gender as a non negotiable.

Globalization provided opportunities and quotas to developing countries to develop labour intensive industries in order to encourage economic growth and reduce poverty. But the Special Economic Zones(SEZ) set up by developing countries in reality only benefited the rich while the poor workers, especially women received no protection hence were often exploited. The country also lost large revenues due to the incentives that they gave SEZs such as tax holidays and subsidies.

Though women workers did get more opportunities for employment, they also faced the risk of relocations to SEZs also faced additional risk of layoffs. Trade policies formulated by committees have no women members hence decisions are all taken by men. The structure and functioning is also patriarchal hence the policy did not look at women in the informal sector. Hence for gender equality, it is important that the structures, the functioning are revised in the light of gender inequalities arising out of women's unequal power relations. Finally, gender indicators to measure gaps and achievements need to be developed so that Trade policies become more gender sensitive and work towards achieving gender equality.

Though world conferences

1. Issues Addressed

The Fourth World Conference on Women in Beijing in 1995, focused on "gender mainstreaming" as a key strategy to address gender inequalities, and highlighted the need for mainstreaming which was defined as "the process of assessing the implications for men and women of any planned action including legislation, policies and programmes, in all areas and at all levels". However while formulating trade policies, this aspect was completely disregarded. Though Aid for trade is designed to enable increased and effective participation in the multilateral trading system, and to support economic growth and reduce poverty of developing countries,¹ it did not take into account gender inequalities and how it would further increase disadvantages that women face in the labour market in terms of employment, wages and its effects on the care economy.

The impact of trade policies go beyond market criteria, that is income or consumption, and should be evaluated in terms of human wellbeing, taking into account differences in class, unequal power relations between men and women, and race, both within and across nations. International trade policies must take a gender-aware approach if it is to reduce inequalities..

Expansion of markets due to globalization leads to a shift of resources including labour from non-tradables to tradables especially to the exportable sector. This can create unemployment in the non-exportable sectors because labour mobility is relatively lower than mobility of other resources of production. Again, due to different socio-economic constraints, within the labour force women usually have systematically lower capabilities than men and need different requirements to be mobile. These restrict women to a certain distinct sectors. Unemployment generated in those sectors as a result of expansion of markets will consequently affect female labourers disproportionately.

2. Objectives Pursued

The objective of India's economic policy is to attract foreign direct investment (FDI) and increase its exports so that it can become a manufacturing hub for textiles, automobiles, etc for the world market. To benefit from the new opportunities arising out of globalization, the Government of India (GoI) launched the concept of Special Economic Zones to boost the country's exports and attract FDI. Expansion of markets does not mean only the improved export opportunities in the country but also a more competitive home market as a consequence of liberal imports. Moreover, a liberal trade regime encourages import of machinery and generic intermediates to facilitate improvements in the production process and this also reduce the numbers of workers needed to work in the factories. Women are more prone to layoffs with the import of machinery and less able to protest it.

3. Design and Implementation of programmes and policies

Mainstreaming a gender dimension into aid-for-trade interventions requires aligning national priorities to take account of gender realities and relationshipsⁱⁱ. 10 studies conducted by EC and UNIFEM,(2008) on '**Integrating Gender Responsive Budgeting (GRB) into the Aid Effectiveness Agenda**', aimed to increase national partners' and European Union (EU) decision-makers' understanding of the opportunities for using GRB to ensure that aid delivers effectively for gender equality so that aid provided in the form of General Budget Support (GBS) and Sector Budget Support (SBS) contributes to the achievement of gender equality goals. However though the Paris Declaration on Aid Effectiveness (PD) (2005) demonstrated a global commitment to reform aid management modalities, and improve the quality of aid to contribute to the achievement of collectively agreed development goals, such as the Millennium Development Goals (MDGs), it focussed more on the following principles such as national ownership so that the process is country driven and not donor driven, harmonization with the recipient countries laws and its policies, managing for results, and mutual accountability. The aim was to ensure that two separate and parallel processes of reporting on expenditure, which was common among donors---and led to wastage of funds, would no occur. But addressing Gender inequalities was not included as a non negotiable in the Paris Declaration which is one of its failings..

4. Problems Encountered

The Special Economic Zones (SEZs), have been highlighted across the developing world, as one of the most important mechanisms for achieving rapid industrialisation through exports. It differs from earlier government initiatives of promoting industrial zones with good infrastructure facilities and simplified procedures, to facilitate exports. SEZs, provide "enabling conditions", such as tax and duty holidays and/or rebates, highly subsidised or even free land, little or no compulsory worker protection etc. Hence though it encourages economic growth of a country, it does not necessarily help in reducing poverty as it seems to be benefiting those who already have money to invest in businesses. The tax benefits too only reach the pockets of those who set up SEZs while the issues of exploitation of the poor, the vulnerable and gender issues are not addressed or even mentioned in the setting up of SEZs. None of the benefits of fiscal policies and incentives, except for the opportunity to work – often for low wages, reach the poor, especially women.

The globalization of apparel production is driven by many factors including two important ones, labour costs and the quota system, that was put in place by the Multi –fibre arrangement (MFA) in 1974. The labour intensity of this industry led to the relocation of these industries to countries that offered cheap female labour.

A study undertaken on expanding markets and its impact on women workers in the garment manufacturing industry pointed out the following gender issues.ⁱⁱⁱ

Women tend to be more attentive to their work as well as less aggressive about their rights than male workers, hence garment manufacturers in Hyderabad set up dormitories at SEZs, where girls between the ages of 18-21 were made to stay for 3 years at a time, or until they reached

marriageable age. This expanded their job opportunities but also took away their freedom as they were never allowed to leave the premises during the time that they were working there.

Workers were too scared to object to this rule, in case they lost their jobs. The SEZs are beyond the purview of Indian laws hence there was no redressal system available for women workers in case of abuse or exploitation. The male supervisors often sexually abused the girls. Though all the workers were women, the supervisors were mostly men as they were used to keep control and break up female solidarity. One reason could be that few women were qualified for the post of supervisors.

5. Factors for Success/Failure

SEZs though successful, do not really promote growth of a country, because it does not take into account the huge fiscal losses to the state due to tax incentives and hidden subsidies being provided to SEZ. The benefits include 100 per cent exemption from income-tax on profits for the first five years of production and 50 per cent for the next five years. Even land developers who manage to corner land from small owners, to build housing or malls, are to be given tax breaks. The Finance Ministry has estimated that if total investment in SEZs is around Rs 3,60,000 crore, the revenue loss to the state exchequer would be more than Rs 1,74,000 crore.^{iv} Another disadvantage was that due to the massive tax benefits, industrialists used the opportunity to shift their industries to SEZs thus denying economic opportunities to the local population where they were originally based.

6. Results Achieved

One of the results achieved of WTO, is that women got more employment opportunities which they did not have earlier. But at what cost? They were not given minimum wages. The tax incentives benefited the rich hence did not address poverty. Developing countries did get the opportunity to participate in export oriented industries with a ready market, but women remained disadvantaged and gender inequalities increased.

7. Lessons Learned

According to CEDAW which most countries have signed, three important aspects to reduce gender discrimination and achieve gender equality are: Equality of opportunity, Equality of access, Equality of results. Hence gender equality must be at the heart of fiscal and trade policies if we want change.

Sexual harassment remains pervasive; the hierarchical employment structures of most companies means that there are very few senior women staff at decision making positions. The structure of Trade Unions remains patriarchal. Hence in terms of working practices, participatory styles of meeting, timings for meetings needs to be redesigned to address women's needs.^v More women must be in supervisory and management roles, and a safe and enabling environment must be created where women can safely report incidences of sexual harassment without fear of losing their jobs. Training of male workers and supervisors to have a zero tolerance policies towards perpetrators must be undertaken.^{vi}

8. Conclusion (applicability to other programs)

Human Rights is not mentioned in the WTO law though the Preamble of the Marakesh Agreement establishing WTO, recognizes that "international economic and trade relations should have among its objectives, both the "raising of standards of living" and "sustainable development". Standards of living of who? It assumes that trade policy is gender neutral and that benefits of trade will have a trickle down affect on women. However it does not mention gender specifically hence gender issues remain invisible in the policy of WTO. Unless gender issues are specifically targeted, they will not be addressed.

It is therefore imperative that before trade policies are implemented, gender analysis of its impact, on men and women, must be evaluated. Without gender analysis, it is impossible to identify how trade policy will impact different groups of men and women. Hence the questions that one needs to address are:

What are the traditional roles of men and women and its effect? How can men and women respond to trade opportunities and changes in household, community, market and state? Men and women have different access to and control of assets and resources (material, social, technological, knowledge). They play different roles in production in different sectors of the economy. This makes their access to trade opportunities different.

Gender analysis also recognises that women's labour in the household and the community is central to all economies. They also provide the labour force for the next generation. The key questions then to ask in analysis of trade and gender in any sector of the economy (e.g., agriculture, services, intellectual property, NAMA) are: *At the point when changes in trade policy take place:*

What are the different situations of women and men? What mechanisms and measures are built into the changes to take account of these differences? What are the expected results of the changes? And finally when the policy is implemented, the questions that need to be asked are: Did these expected results happen? If not, what corrective mechanisms and measures are needed?^{vii}

Indicators to measure gender must be developed to measure progress.

Some of the indicators could be:

- ⊙ Increasing number of women in decision making positions at the WTO
- ⊙ Increasing number of studies commissioned to measure the impact of trade policies on gender equality
- ⊙ Number of changes in trade policy frameworks affecting gender equality;
- ⊙ Increases in national/sector budget allocations in favour of gender equality issues in building capacity of women to take advantage of trade opportunities
- ⊙ Changes in recruitment practices in favour of equal opportunities;

- ⊙ Increasing participation of both men and women (with qualitative and quantitative indicators) in project activities
- ⊙ Increasing instances of meeting practical and strategic needs of women and men
- ⊙ Increasing changes in project staff's capacity to mainstream gender equality;

ⁱ Draft concept note for the workshop

ⁱⁱ Draft concept note for the workshop

ⁱⁱⁱ Chakravarty D. Expansion of Markets and Women Workers: Case study of the garment manufacturing Units of Hyderabad: UNIFEM

^{iv} P. Chandrasekhar and Ghosh Jayati in Microscan on costs and benefits of SEZs

^v *ibid*

^{vi} Trade and Gender: Opportunities and Challenges for developing Countries. United Nations 2004

^{vii} Thakur Sarojini: A Training Resource: Gender and Trade Action Guide.