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# Trade Preferences and Women's Economic Empowerment

**WOW Helpdesk Query 36**

FINAL Report

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**Query Question(s):**

Objective: To understand and measure how trade preferences impact gender equality and women's economic empowerment within developing countries and, within the context of the future UK GSP, how to both ensure it is "doing no harm", while also shifting to an approach that can move beyond this leading to transformational positive impacts. There is a need to understand the criteria to assess the most appropriate entry points for DFID, both by sector and EU/UK GSP country, which offer the greater potential to maximise benefits to women

1. How can unilateral trade preference arrangements/policies be potential levers for transformative impacts on gender equality and women's economic empowerment within low- and middle-income countries?\*
2. What criteria could be used to identify sectors/countries more likely to benefit women, in terms of job creation, quality of job or other factors?
3. What impact- and outcome-level indicators should be used to measure the effect of EU/UK GSP on gender equality and women's economic empowerment, as the UK adopts an independent scheme, and what are the potential impact pathways?

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# Acronyms

BDC	Beneficiary Developing Country
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CSOs	Civil Society Organisations
DFQF	Duty-Free Quota-Free
EBA	Everything-but-Arms
EU	European Union
GDP	Gross Domestic Product
GEI	Gender-Equality Index
GSP	Generalised System of Preferences
GVCs	Global Value Chains
ICESCR	International Covenant on Economic, Social and Cultural Rights
ILO	International Labour Convention
ITC	International Trade Commission
LDBDC	Least-Developed Beneficiary Developing Country
LDCs	Least Developed Countries
MFN	Most-Favoured Nation
M&E	Monitoring and Evaluation
NTMs	Non-Tariff Measures
RoO	Rules of Origin
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
SPS	Sanitary and Phyto-Sanitary
TBTs	Technical Barriers to Trade
UN	United Nations
USTR	United States Trade Representative
WESTT	Women's Economic and Social Think Tank

# Executive Summary

This brief explores the existing linkages between unilateral trade preferences and women's economic empowerment, with the objective of providing a series of recommendations for the future UK Generalised System of Preferences (GSP).

Overall, unilateral preferences are a key instrument contributing to the development of least developed countries (LDCs) and low-income economies. Preferences are provided by developed countries to developing ones with the aim of assisting them in their efforts to reduce poverty and to promote good governance and sustainable development.

The European Union (EU) uses its GSP as a tool not only to promote economic development but also as a reward towards those countries willing to commit to internal reforms and comply with international standards. The EU GSP is divided into three main schemes: the Standard GSP, applicable to all low and lower-middle-income developing countries that do not have a trade agreement with the EU, GSP+, applicable to those developing countries that undertake a series of international commitments and subscribe to a number of international agreements, and Everything-but-Arms (EBA), which grants LDCs duty-free quota-free market access to the EU.

In general, the EU's GSP Regulation has contributed to the positive economic and social development of its beneficiaries, leading to some export growth and export diversification though results are nuanced and are context specific<sup>1</sup>. On the one hand, such growth can create opportunities for women, as it leads to more job opportunities and increased pay. On the other hand, increased exports may also lead to exporting firms resorting to cheap female labour as a source of competitive advantage, thereby segregating women and trapping them in low-skilled sectors and low-paying jobs, leading to a deterioration in both wages and working conditions for everyone.

Despite the EU GSP scheme linking the granting of trade preferences with a gender dimension, particularly through GSP+, which has contributed to the ratification of certain human rights instruments and international standards, research shows that the ratified conventions have not always been applied by the GSP beneficiary countries.

Women are particularly disadvantaged when trading, through non-tariff measures (NTMs), with these barriers representing the main challenge. Technical barriers to trade (TBTs) and sanitary and phytosanitary (SPS) measures can be particularly burdensome for women-owned firms, owing to the wider social inequalities affecting access to education, training and literacy, which are required to better understand and navigate trade regulations. Women cross-border traders are particularly affected by the lack of information and transparency around customs procedures.

In order to ensure that the future UK GSP scheme effectively promotes women's economic empowerment in its beneficiary countries, a series of elements should be taken into consideration:

- **Coverage:** the future UK GSP scheme should consider expanding its coverage and depth into the agricultural, textile, and services sectors, as these are the sectors with greater female participation and where higher benefits can be obtained. For example, preferences granted for articles of apparel and clothing (HS 61 & HS 62) under the Standard GSP in comparison to the Most Favoured Nation (MFN) rate are relatively small, amounting to 2.3%, from 11.6% to 9.3% in the case of HS61 and from 11.3% to 9% in the case of HS62.
- **Monitoring and Evaluation:** incorporating the feedback from Civil Society Organisations (CSOs) will be crucial to ensure that beneficiary countries comply with the relevant

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<sup>1</sup> EC (2018). Mid-Term Evaluation of the EU's Generalised Scheme of Preferences (GSP). Luxembourg: July

international treaties, as they can provide key feedback to assess the status of women's economic empowerment in the country, strengthening incentives, accountability and transparency. Similarly, a number of indicators could be tracked to ensure that the GSP beneficiary countries reflect improvement and that women are better off as a result of the GSP. Some of these indicators include the gender gap in unemployment, women in positions of senior management, gender wage gap or ratio, export revenue increase by percentage for firms owned by men or women, etc. An explicit monitoring of the wage gap and export performance of female owned firms should be prioritised, and can be effectively done through IFC enterprise survey results or other primary data collection methods.

- **Withdrawal of preferences:** unfortunately, there are occasions in which the adherence to human and labour rights commitments – including Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) – does not translate into meaningful change for women and girls. The ratification of the recent convention of violence and harassment in the workplace should be an integral part of accessing GSP<sup>2</sup>. In this sense, the future UK GSP system must ensure that the withdrawal of preferences is accompanied by effective trade sanctions *and additional incentives* to ensure that the non-compliant beneficiary country effectively implements the agreements and or is supported to do so. The EU's experience of providing additional access to its market according to the degree of adherence to different conventions is an effective incentive to become more compliant. Nevertheless, such withdrawal of preferences must take into consideration the possible impact that it could have on women's economic empowerment.
- **Rules of Origin:** complex Rules of Origin (RoO) are one of the most significant barriers faced by exporters, particularly small and medium-sized enterprises (SMEs), in accessing unilateral trade preferences. The UK, in its new GSP, should facilitate and ease the burden that such requirements imply for women, either through easier-to-comply RoO or by putting in place training systems, awareness raising and technical support targeted at women, in particular, in the beneficiary countries.
- **Going beyond preferences:** to ensure that women effectively benefit from the future UK GSP scheme, there is a need to provide a more joined-up approach to better tackle women-centric challenges to trade, which go beyond tariffs and take the form of NTMs and TBTs. In order to do so, it will be crucial for the UK to merge tariff preferences with access to export training, trade finance and trade support services, targeted to women exporters and or sectors with high levels of female participation and employment - as much as possible.

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<sup>2</sup> ILO (2019) Violence and Harassment Convention No 190. 21 June. Geneva 108<sup>th</sup> ILC Session.

# 1. Unilateral Preferences: Levers of positive change

**Unilateral preferences have been instrumental tools to promote developing countries' economic development.** Countries such as Cambodia have based their approach to trade and industry on the basis of unilateral trade preferences granted by developed countries, such as the EU and the US. In another example, nearly 95 percent of Bangladesh's exports to the EU – which represent nearly half of the country's total exports - enter the market through the Everything-but-Arms (EBA) scheme.

**The main rationale behind the implementation of unilateral trade preferences is that the provision of preferential market access to developed markets will assist developing countries in their efforts to reduce poverty and to promote good governance and sustainable development.**

**The EU's Generalised System of Preferences (GSP) provides progressive rewards to countries based on their development status as well as their willingness to commit to wider internal reforms and comply with international standards.** The European Union (EU) was the first to implement a GSP scheme and has adopted a number of revisions and reforms to the system to date, with the latest being undertaken through Regulation No. 978/2012 of the European Parliament and of the Council of 25 October 2012. The current GSP scheme applied by the EU is comprised of the following three levels of preference:

- The **Standard GSP** arrangement is targeted at lower and lower-middle-income countries,<sup>3</sup> with which the EU does not have a Free Trade Agreement (FTA). This arrangement grants its beneficiaries duty-free market access for “non-sensitive products” (excluding a significant number of agricultural commodities, amongst others), and provides tariff reduction on “sensitive products” across approximately 66 percent of all EU tariff lines.
- The **GSP+**, created to support vulnerable developing countries that ratify and *effectively* implement 27 international agreements and conventions on human rights, labour rights, environmental protection and climate change, and good governance,<sup>4</sup> and meet the vulnerability criteria.<sup>5</sup> The compliance with such conventions is evaluated through the “Scorecard”, which identifies shortcomings in implementing the countries' international commitments, and through the “GSP+ Dialogue”, a bilateral forum to engage with the beneficiaries on a bilateral level.
- The **EBA** grants full duty-free quota-free (DFQF) access for all products, except for arms and ammunition, originating in UN classified Least Developed Countries (LDCs). Application is not required, as access to the EBA scheme is granted automatically to a beneficiary country if it is listed as a LDC by the UN Committee for Development Policy.

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<sup>3</sup> The World Bank classification shall be applied for this purpose.

<sup>4</sup> The 27 core international conventions required under GSP+ are listed in Annex VIII of Regulation No. 978/2012.

<sup>5</sup> The EU's vulnerability criteria under the GSP+ scheme is comprised of an import share criterion, which requires that the import share of GSP-covered imports of the potential beneficiary country relative to the GSP-covered imports of all GSP countries, calculated on the basis of three-year average, is lower than 2%; and a diversification criterion, which requires that seven largest sections of the GSP-covered imports represent more than 75% of total GSP imports by that country as an average over a period of three consecutive years.

### Box 1 EU's GSP tariff coverage

The standard EU GSP scheme offers preferential access to developing countries in the form of either zero or reduced tariffs for their goods. In 2018, the standard GSP granted DFQF market access to 63 percent of all EU tariff lines – covering nearly 5,500 products – and the remaining 37 percent had an average tariff rate of 6.47 percent.

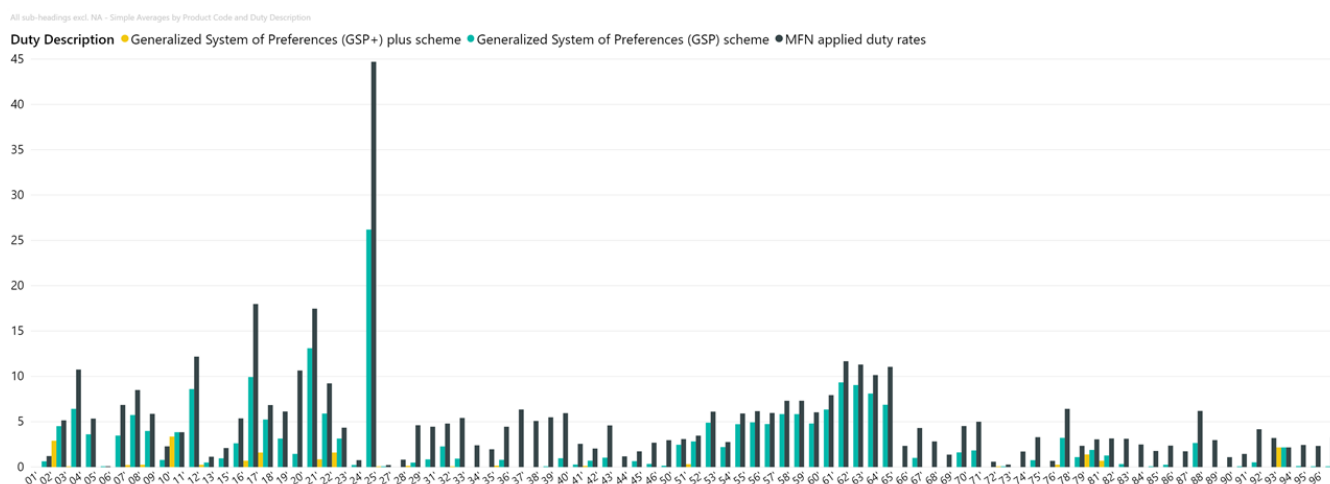
In contrast, GSP+ offers DFQF market access to 98 percent of all EU tariff lines, with only 99 tariff lines being subject to tariffs. Such tariffs are mainly applicable to sensitive products in the EU, such as yoghurt, some fruits and fruits preparations, to which specific duties are applied.

As shown in Figure 1 below, whilst the Standard GSP provides certain tariff preferences in comparison to the Most-Favoured Nations (MFN) rates, tariffs are still significant, particularly on agricultural products, textiles and apparel. In turn, the GSP+ preferences are certainly significant in comparison to the MFN and Standard GSP rates.

Finally, in the case of the EBA scheme, LDCs have virtually complete duty-free access in the EU market, with the exception of arms and ammunition.

Source: WTO Tariff Analysis Online

Figure 1 EU's GSP vs MFN tariffs, simple average, 2018



Source: WTO TAO. Note: The x axis refers to the HS chapters, as follows: HS 01-05, animal & animal products. HS 06-15, vegetable products. HS 16-24, foodstuffs. HS 25-27, mineral products. HS 28-38, chemicals & allied industries. HS 39-40, plastics & rubbers. HS 41-43, raw hides, skins, leather & furs. HS 44-49, wood & wood products. HS 50-63, textiles. HS 64-67, footwear / headgear. HS 68-71, stone / glass. HS 72-83, metals. HS 84-85, machinery / electrical products. HS, 86-89, transportation. HS 90-97 covers high precision instruments and miscellaneous.

**Other developed countries, such as the US, have adopted their own GSP schemes.**<sup>6</sup> However, in the particular case of the US, the application of the GSP is left to the will of the President, who has the authority to grant duty-free treatment under GSP for eligible products imported from any beneficiary developing country (BDC) or any least-developed beneficiary developing country (LDBDC).<sup>7</sup> Particularly, “GSP country eligibility changes or changes in product coverage are made at the discretion of the President, drawing on the advice of the International Trade Commission (ITC) and the United States Trade Representative (USTR).”<sup>8</sup>

<sup>6</sup> Australia, Belarus, Canada, the EU, Iceland, Japan, Kazakhstan, New Zealand, Norway, Russia, Switzerland, Turkey and the US have GSP Schemes.

<sup>7</sup> Congressional Research Service (2019). Generalised System of Preferences (GSP): Overview and Issues for Congress. Congressional Research Service, RL 33663, November.

<sup>8</sup> Ibid., p. 9.



### Box 2 Impact of the US' Unilateral Preferences: African Growth and Opportunity Act (AGOA)

The US's African Growth and Opportunity Act (AGOA) has contributed to increased exports and trade creation in most beneficiaries. However, impacts vary over time and across countries; and gains are unsteady. Over the 2001-2013 period, total US import from AGOA eligible countries quadrupled, reaching USD 26.8 billion. However, much of these gains from trade are accounted for by the expansion in exports of fuel and other minerals, which has been largely unsteady and negatively affected by the financial crisis and the commodity price declines. Gains based on non-fuel exports, such as agriculture, textiles and apparel, and manufacturing, have been increasing consistently over the years.<sup>9</sup> Despite this, Edwards and Lawrence (2013) argue that beneficiary countries “do not have viable internationally competitive industries that could survive without the preferences, or that have diversified horizontally into new products and markets or vertically into greater domestic value addition”.<sup>10</sup> Similarly, despite their success in accessing and connecting to global value chains, production in the main apparel exporter countries in Sub-Saharan Africa, with the exception of South Africa and Mauritius, “is largely focused on assembly of imported textile inputs with limited local value-added and linkages”<sup>11</sup>, having failed to move into higher-value activities in the value chain.

**Overall, the EU's GSP Regulation has contributed to the positive economic and social development of its beneficiaries.** According to the EU, “[from] 2011 to 2017, EU imports from beneficiary countries increased by 44 percent. EBA countries saw their exports to the EU increase by 125 percent and GSP+ beneficiaries by 82 percent.”<sup>12</sup> Similarly, GSP+ and EBA countries increased their exports to the EU by 53.8 percent and 62.1 percent, respectively, during the 2014-2016 period in comparison to the 2011-2014 period.

**Additionally, the GSP schemes tend to promote export diversification.** Persson & Wilhelmsson (2013) indicate that both GSP and GSP+ contribute to an increase in the range of exported products by their beneficiaries.<sup>13</sup> Similarly, Foliano, Cirera & Gasiorek (2016) find a positive impact of preferential regimes on exports to the EU arising from lower tariffs and larger preferential margins. The authors also find that the greater the depth and range of preferences on offer, the greater the likely indirect effects on trade.<sup>14</sup> Specifically, GSP+ countries are the most diversified of all three arrangements, with all countries having Herfindahl Index (HI)<sup>15</sup> scores of between 0.02 and 0.32 at both product and sectoral levels. It was observed that for Standard GSP and GSP+ countries, the GSP reform in 2014 coincided with a positive impact on diversification. Nearly all countries under these arrangements succeeded in placing a greater number of products in EU markets.<sup>16</sup>

**However, sectoral studies find that unilateral preferences do not always benefit the receiving country.** Particularly, Pishbahar & Huchet-Bourdon (2008) found that EBA had a negative effect on the agricultural exports of EBA countries to the EU market. This was mainly due to rigid cumulation rules,

<sup>9</sup> Kassa, W., Coulibaly, S. (2019). Revisiting the Trade Impact of the African Growth and Opportunity Act: A Synthetic Control Approach. World Bank Group. August 2019.

<sup>10</sup> Edwards, L. & Lawrence, R. (2013). AGOA Rules: The Intended and Unintended Consequences of Special Fabric Provisions. Peterson Institute for International Economics, Working Paper 13-11.

<sup>11</sup> Staritz, C. (2013). Foreign direct investment and local spillovers in the apparel sector in Sub-Saharan Africa. Austrian Foundation for Development Research, Policy Note No. 05/2013.

<sup>12</sup> European Commission: Generalised Scheme of Preferences (GSP). Available from: <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>

<sup>13</sup> However, this is not applicable to all unilateral preferences. For example, preferences granted to Mediterranean countries have no significant effects on the range of products exported. Interestingly, there are further indications that ACP preferences actually have negative effects toward the end of our time period, suggesting that ACP countries over time respond to preferences by specializing into fewer goods.

<sup>14</sup> Foliano, F., Cirera, X. & Gasiorek, M. (2016). The impact of preferences on developing countries' exports to the European Union: bilateral gravity modelling at the product level. *Empirical Economics*, 50 (1). pp. 59-102.

<sup>15</sup> See WITS-World Bank: “This indicator is a measure of the dispersion of trade value across an exporter's products. A country with a preponderance of trade value concentrated in a very few products will have an index value close to 1. Thus, it is an indicator of the exporter's vulnerability to trade shocks. Measured over time, a fall in the index may be an indication of diversification in the exporter's trade profile.” Available from: [http://wits.worldbank.org/WITS/WITS/TradeIndicatorsHelp/TradeOutcomes\\_Help.htm#CIP](http://wits.worldbank.org/WITS/WITS/TradeIndicatorsHelp/TradeOutcomes_Help.htm#CIP)

<sup>16</sup> European Union (2018). Mid-Term Evaluation of the EU's Generalised Scheme of Preferences (GSP). Final Report. July 2018.

as well as substantial processing and transport regulations. The authors also highlight that granting such unilateral preferences can make receiving countries dependent on them.<sup>17</sup>

**The EU's GSP reform undertaken in 2014, which was based on the level of income or market share of a recipient country in the world market, reduced the scope of countries, and therefore companies, able to benefit from unilateral preferences.** Whilst the percentage of tariff lines enjoying duty-free access to the EU market increased with the latest GSP reform, the market share of GSP imports in the EU market declined, dropping from 5.8 percent in 2011 to 4.1 percent in 2016. This is mainly due to the 'graduation' of a large number of countries, including big exporters such as China, from lower and lower-middle-income to middle and upper-middle-income countries, which no longer qualifies for GSP.

## 2. The Use of Unilateral Preferences in Promoting Women's Economic Empowerment: A Missed Opportunity

### 2.1. The Impact of Unilateral Preferences on Women

**In general, women are expected to benefit from trade liberalisation.** Women form the bulk of the low-skilled labour force in developing countries. Therefore, as production and exports expand in low-skilled sectors, the relative demand and returns to female labour are expected to increase (i.e. both employment and wage gains). Specifically, increased female employment opportunities are evident in those highly labour-intensive exporting industries trading with the EU, such as textiles and apparel. In particular, this can be seen in Bangladesh and Cambodia, countries that are major exporters of apparel and clothing to the EU under the GSP scheme. Under GSP+, apparel and clothing make up 53 percent of EU imports (EUR 4 billion), whilst under EBA, apparel and clothing represent 80 percent (EUR 19 billion) of all EU imports. In 2016, textiles and apparel made up 48 percent (EUR 30 billion) of total imports under GSP. This is a sector dominated by a female labour force.

**However, such an assumption might not always hold.** In practice, exporting firms may resort to the use of a cheap female labour force as a source of competitive advantage, thereby segregating women and trapping them in low-skilled sectors and low-paying jobs. Therefore, the increased share of female employment in export sectors may also lead to downward pressure and a deterioration in both wages and working conditions for all.<sup>18</sup> The downside is that this is also a sector associated with low wages, low skill and low educational requirements. It does not necessarily promote the social mobility of women, but rather locks women into insecure employment with no prospects for growth or progress. In addition, it is a sector plagued by human rights and labour violations. The most infamous being Rana Plaza in 2013 Bangladesh, which left 1,135 dead after a building housing five garment factories supplying global brands collapsed.<sup>19</sup>

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<sup>17</sup> Pishbahar, E. & Huchet-Bourdon, M. (2008). European Union's Preferential Trade Agreements in Agricultural Sector: a gravity approach. AgFoodTrade, Working Paper 2008-06.

<sup>18</sup> Shaw, A. & Jobes, K. (2019). Gender, Inclusion/Inclusio and Trade Thematic Brief: Integrating Gender and Inclusion into Prosperity Fund Trade Programmes. WOW Helpdesk Query 20, April. See also UNCTAD (2019). Making Trade Policies Gender-Responsive: Data requirements, methodological developments and challenges. United Nations Conference on Trade and Development, UNCTAD/DITC/2019/1.

<sup>19</sup> <https://www.theguardian.com/world/2016/jul/18/rana-plaza-collapse-murder-charges-garment-factory>

**Similarly, progress in overall economic development does not always reflect progress for all sections of the population**, particularly in middle-income countries and can be a double-edged sword. As highlighted by Shaw & Jobes (2019), the gender aspects of the ‘middle-income trap’ “means that a country may have made progress on horizontal employment inequalities (inequalities between groups) but that vertical inequalities between individuals remain stark, as was the case in many Asian countries.”<sup>20</sup> Specifically, GSP can have significant impacts on home-based women engaged in manufacturing, as unilateral trade liberalisation can lead to the “increased outsourcing of production processes by multinationals and domestic businesses to micro- and home-based production units”<sup>21</sup>. However, this can have a negative impact, as by subcontracting labour-intensive or assembly-type work to homeworkers, producers in the lower segment of GVCs can reduce wages, non-wages and overhead costs, transferring the risk associated with production to homeworkers who have to acquire machinery and pay for rent and electricity.<sup>22</sup> In this context, as highlighted by Carr *et al* (2000), “[the] vast majority of subcontract workers or industrial homeworkers, who earn some of the lowest wages worldwide, are women. Even when they are self-employed in petty trade or production, women tend to earn less than men.”<sup>23</sup>

### Box 3 Women and Trade Liberalisation

Women as producers can benefit from trade liberalisation if they have the capacity to participate in export sectors. A large share of women in developing countries participate in the agricultural sector as smallholder farmers, mainly producing subsistence-oriented staple crops.

Their capacity to take advantage of liberalised trading conditions, depends on their endowment of productive resources, including land, access to training, skills and technology, and exposure to various market access barriers such as SPS, TBTs, and product and process regulations. Women who participate in manufacturing as small-scale or home-based producers face similar constraints as in agriculture.

Source: UNCTAD (2019)

**The EU’s GSP scheme is one of the few schemes linking trade preferences to a gender dimension**, particularly with regards the GSP+. Whilst the Standard GSP and the EBA include a withdrawal approach – i.e. the violation of human and labour rights would lead to the withdrawal of preferences, the GSP+ adopts an enforcement approach, meaning that the GSP+ countries have to ratify and comply with their obligations under several United Nations (UN) and International Labour Organisation (ILO) conventions that are relevant for women's rights and gender equality, particularly the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the International Covenant on Economic, Social and Cultural Rights (ICESCR), and ILO Conventions 100 and 111 (Equal Remuneration Convention and Anti-discrimination Convention).

**The GSP+ may have a more significant impact on gender than standard GSP and EBA.** In a 2010 evaluation of the EU’s GSP scheme, it was noted that GSP+ countries improved their Gender-Equality Index (GEI) score by around 6 percent more than the GSP group, and 12 percent more than EBA countries.<sup>24</sup> This can perhaps be attributed to the monitoring of the implementation of the international conventions relevant to GSP+ demanded by the reformed GSP, which includes monitoring progress on women's rights and gender equality.<sup>25</sup>

<sup>20</sup> Shaw & Jobes (2019), *ibid.*, p. 8.

<sup>21</sup> See ILO (2019). The impact of trade on employment in the Philippines: Country Report. International Labour Organization Country Office for the Philippines, April. See also Ofreneo, R. E. (2013). Precarious Philippines: Expanding Informal Sector, “Flexibilizing” Labor Market. *American Behavioral Scientist*, 57(4) 420–443.

<sup>22</sup> UNCTAD (2014). Virtual Institute Teaching Material on Trade and Gender - Volume 1: Unfolding The Links. United Nations Conference on Trade and Development, Geneva.

<sup>23</sup> Carr, M., Chen, M. A. & Tate, J. (2000). Globalization and Home-Based Workers. *Feminist Economics*, 6:3, p. 127. Shaw & Jobes (2019), *ibid.*, p. 8.

<sup>24</sup> Gasiorek, M. et al (2010). Mid-term Evaluation of the EU’s Generalised System of Preferences: Final Report, CARIS, University of Sussex.

<sup>25</sup> European Union (2018), *ibid.*

**For countries whose export basket remains dominated by primary products, the gender impact is less clear.** Standard GSP excludes agricultural commodities, a sector where a lot of women work and a sector marked by high risk – price volatility, subject to climate effects etc. as well as informal, insecure trading patterns. In these cases, enhanced market access and trade liberalisation may even have an adverse impact. However, GSP has allowed for the diversification of some countries away from traditional commodity exports, such as sugar, into sectors such as textiles and processed fish. as seen in the example of Mauritius, but also in Fiji, Jamaica, Kenya and Zimbabwe, who, before the negotiation and agreement of the Economic Partnerships Agreements (EPAs), took advantage of the preferences granted to diversify from traditional raw materials and their derivatives (coffee, cocoa, banana, sugar) into non-traditional exports such as clothing, processed fish, horticultural and floricultural products.<sup>26</sup> However, in general, the diversification of exports has been more noticeable within a sector rather than at a sectoral level and EBA countries, in particular, have the least diversified export portfolios at both the product and sectoral levels.<sup>27</sup>

**GSP+ has contributed to the ratification of certain human rights instruments.** Particularly, Orbit and Tortell (2009) highlight that the “*prospect of additional market access under GSP+ appears to have positively affected ratification of ILO core labour conventions in [...] Bolivia, Colombia, Venezuela, Mongolia and El Salvador*”.<sup>28</sup>

**However, the ratified conventions have not always been applied by the GSP beneficiary countries.** For example, it was reported that due to an EBA-driven surge in exports, cases of land grabbing or inadequate compensation to grant land for companies had been experienced in Ethiopia and Cambodia, particularly for the floriculture and commercial agro-industry sectors, respectively. Serious concerns have been raised in this regard, with allegations that preferential market access schemes like GSP actually incentivise human rights violations, which are always gendered in their impacts.<sup>29</sup> Another concern relates to the lack of compliance with labour rights in order to maintain and prolong a low-wage competitive edge, as in the infamous case of Bangladesh.<sup>30</sup> Also, in the textiles sector which saw the most growth under GSP, workers, 85 percent of whom are women, are still underpaid and overworked, and statutory rights (for example, to join trade unions or take maternity leave) are often not respected.<sup>31</sup> Many of the GSP beneficiaries score badly in terms of workers rights and are ranked as high offenders in the International Trade Union Confederation’s 2018 Global Rights Index.<sup>32</sup> The gig economy provides opportunities, with low entry costs, often operating through mobile apps. Recent research suggests that governments can ensure the gig economy helps women access economic opportunities – for example, by reducing digital and financial divides, as well as protect workers against risks through effective relevant policies and regulations<sup>33</sup>. **Similarly, there have been doubts about the ability of the EU’s GSP scheme to act as a deterrent.** The Women’s Economic and Social Think Tank’s (WESTT) review of GSP+ monitoring reports showed that Pakistan was breaching more core conventions than Sri Lanka in 2010 when its GSP+ access was revoked, indicating that such schemes benefit major export industries rather than civilians and small business, while at the same time questioning the ‘deterrent’ ability of such schemes.<sup>34</sup> Civil society has also expressed concerns

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<sup>26</sup> Commission of the European Communities (1996). Green Paper on Relations between the European Union and the ACP Countries on the Eve of the 21st Century: Challenges and Options for a New Partnership. Commission of the European Communities, (COM(96) 570 final), November.

<sup>27</sup> EU Evaluation: [https://trade.ec.europa.eu/doclib/docs/2018/october/tradoc\\_157435.pdf](https://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157435.pdf)

<sup>28</sup> Orbie, J. and Tortell, L. (2009), ‘The New GSP+ Beneficiaries: Ticking the Box or Truly Consistent with ILO Findings?’, *European Foreign Affairs Review*, 14, p. 672.

<sup>29</sup> ActionAid and Oxfam (2015) Cambodia: The Bitter Taste of Sugar Displacement and Dispossession in Oddar Meanchey Province. ActionAid and Oxfam. Available on: <http://www.actionaid.org/cambodia/publications/cambodia-bitter-taste-sugardisplacement-and-dispossession-oddar-meanchey-prov>

<sup>30</sup> European Union (2018), *ibid*.

<sup>31</sup> War on Want. Sweatshops in Bangladesh. Available at <https://waronwant.org/sweatshops-bangladesh>

<sup>32</sup> ITUC International Trade Union Confederation (2018). *2018 ITUC Global Rights Index. The World’s Worst Countries for Workers*. Available at <https://www.ituc-csi.org/IMG/pdf/ituc-global-rights-index-2018-en-final-2.pdf>

<sup>33</sup> Hunt, A. (2017). What polimakers need to know about women and the gig economy. ODI Blog. 26 January

<sup>34</sup> Women’s Economic and Social Think Tank (2018). The Islamic Republic of Pakistan and GSP+ scheme: WESTT Policy Report.

about the lack of transparency and participation around Scorecards, which are currently not made public and prevent them from being able to meaningfully engage in the process for strengthened accountability, transparency and incentives for reform.<sup>35</sup> A dialogic approach, encompassing all sectors of the country's society, would have had more impact on the country's practices and policies.

## 2.2. Main Barriers Faced by Women whilst Exporting

**Non-tariff barriers (NTBs) or non-tariff measures (NTMs) represent the main challenges to export, especially for women.** NTMs are policy measures with an economic effect on the trade of goods and include measures such as TBTs, SPS, quotas, exports restrictions, and behind-the-border measures such as government procurement or distribution restrictions.<sup>36</sup> NTBs can also be a contributing factor that pushes women producers and traders into the informal sector, where they lack access to finance, information and networks.<sup>37</sup> The complexity of GSP with the various restrictions, RoO, etc. can act as a significant barrier to trade.

**TBTs affect women disproportionately.** TBTs are technical regulations, standards and conformity assessment procedures that specify product characteristics, or their related processes and production methods such as labelling, packaging, and emissions requirements. Demonstrating a capacity to conform to standards requires the establishment of mechanisms for efficient testing, certification and accreditation. TBTs affect SMEs disproportionately given the high cost of compliance and as such affect women disproportionately, given the higher concentration of women present. In addition, TBTs can be particularly burdensome for women-owned firms, owing to the wider social inequalities affecting access to education, training and literacy, which are required to better understand and navigate trade regulations.<sup>38</sup>

**SPS compliance for agricultural exports can be especially difficult.** SPS measures relate to human, animal and plant protection. Meeting and demonstrating compliance with SPS and related quality standards is often a constraint to participation in global value chains (GVCs), especially for smallholders. In an ITC study, the primary concern of agricultural exporters (mentioned in 48 percent of all cases) was related to conformity assessment.<sup>39</sup> This is more than double that of the manufacturing sector. Issues in this area also include the costs of certification, as well as administrative burdens etc. This is particularly problematic as a large number of women work in the agricultural sector.

**Women cross-border traders are particularly affected by the lack of information and transparency around customs procedures.** This situation is further reinforced by informal or high payments and discriminatory behaviours at borders, such as sexual harassment, exploitation and abuse. Some countries, with the support of international donors, have started to use technology-based solutions to reduce face-to-face interactions, and therefore reduce the chances of such behaviours appearing, through the implementation of single windows, electronic procedures and traders' rights awareness-raising.<sup>40</sup>

**Women exporters are often locked out of GVCs because they are SMEs.** Lack of capital and collateral such as land or property, inadequate financial infrastructure, and other such barriers involving gender-

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<sup>35</sup> ActionAid (2018). From rethoric to rights: Towards gender-just trade. ActionAid. See also Portela, C. (2018) How to promote human rights through the EU's GSP+? Exploring the role of civil society, businesses and beneficiary countries. Democracy Reporting International.

<sup>36</sup> UNCTAD (2012)

<sup>37</sup> Brenton and Gamberoni, 2013, ITC (2015) SME Competitiveness Outlook: Connect, compete and change for inclusive growth, <http://www.intracen.org/SMECompetitiveness/2015/> p18

<sup>38</sup> ITC (2015) SME Competitiveness Outlook: Connect, compete and change for inclusive growth, <http://www.intracen.org/SMECompetitiveness/2015/>

<sup>39</sup> ITC (2015), *ibid.*

<sup>40</sup> ITC (2015). Unlocking Markets for Women to Trade, International Trade Centre, Geneva. See also Shaw & Jobes (2019), *ibid.*

based social and cultural barriers restrict the potential of women-owned SMEs.<sup>41</sup> This includes a lack of awareness and lack of access to the information allowing SMEs to take advantage and benefit from trade preferences offered by schemes such as GSP. This, in turn, leads to underutilisation. Therefore, better promotion of GSP in beneficiary countries is required that targets women specifically to ensure better understanding and more importantly, uptake.

## 3. Shaping the UK's GSP scheme: Recommendations for Transformative Change

**The relationship between trade and gender is clear. Women are disproportionately affected by trade policy decisions, particularly in developing countries.** The UK, as highlighted by the House of Commons (2018), should seek to not only “do no harm” but to actively promote gender equality, for example by ensuring that women can “move up the value chain” and that trade liberalisation does not undermine labour rights.<sup>42</sup> With the implementation of its own GSP scheme, the UK has an opportunity to show leadership and develop a truly gender-responsive approach to trade policy and should make the most of this opportunity.<sup>43</sup>

The following section looks at the different elements that the UK's GSP scheme should take into consideration in order to strengthen the importance of GSP for women.

### 3.1. GSP Coverage: Going beyond Trade in Goods

**A GSP scheme that considers the inclusion of sensitive and previously excluded sectors, namely agricultural commodities and services.** These are key sectors of employment for women and so changes here have the potential for the most gains by women. For example, preferences granted for articles of apparel and clothing (HS 61 & HS 62) under the Standard GSP in comparison to the MFN rate are relatively small, amounting to 2.3%, from 11.6% to 9.3% in the case of HS61 and from 11.3% to 9% in the case of HS62. In the most recent Mid-Term Evaluation, it was recommended that the European Commission considers the scope of services under GSP in light of the rapid rise in trade in services within the EU and with the rest of the world.<sup>44</sup> Within this area, the promotion of digital trade and e-commerce should also be considered. The legal basis for expanding the GSP to trade in services could be the WTO's “Decision on Preferential Treatment to Services and Service Suppliers of Least-Developed Countries”.<sup>45</sup> Such decision states that:

*Members may provide preferential treatment to services and service suppliers of least-developed countries with respect to the application of measures described in Article*

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<sup>41</sup> Harvie, 2015, ITC video interview in ITC (2015) SME Competitiveness Outlook: Connect, compete and change for inclusive growth, <http://www.intracen.org/SMECompetitiveness/2015/> p18

<sup>42</sup> House of Commons (2018). Trade and the Commonwealth: developing countries. House of Commons, International Trade Committee, Fifth Report of Session 2017-19, November. Available from: <https://publications.parliament.uk/pa/cm201719/cmselect/cminttrade/667/667.pdf>

<sup>43</sup> *Ibid.*

<sup>44</sup> European Union (2018), *ibid.*

<sup>45</sup> WTO (2011). Preferential Treatment to Services and Service Suppliers of Least-Developed Countries. Decision on 17 December 2011. World Trade Organisation, WT/L/847.

*XVI and any other measures as may be annexed to this waiver, than to like services and service suppliers of other Members.*<sup>46</sup>

The aforementioned waiver was expanded until December 2030.<sup>47</sup> Nevertheless, in order to expand the GSP coverage to trade in services from all developing countries, a waiver, similar to the Enabling Clause, might have to be sought and approved by the Members of the WTO.

**Trade in Services is not covered under the GSP scheme, despite the sector becoming the largest and most important part of many countries' GDP, as well as being a sector where women can stand to gain.** Many women are already present within the services sector, whether that be in tourism and hospitality, as well as retail, and often in the form of informal employment or through SMEs (both formal and informal). SMEs tend to employ more women and of the 9 million women-owned SMEs formally registered worldwide, which represents 34 percent of total SMEs, male-owned SMEs tend to dominate higher value-added sectors, thus having higher annual sales value and total assets. In only a few sectors is this not the case, one of which is trade in services. Here average sales and assets for male and female-owned SMEs are similar. In addition, a study on South Africa found that female traders in charge of their own informal or formal SME are more educated than their male counterparts.<sup>48</sup>

### 3.2. Monitoring and Evaluation System: Involving Everyone and Indicators to track

**One of the key shortcomings of the analysed GSP scheme of the EU is the lack of involvement by CSOs and businesses.** The Scorecard, produced in the framework of the GSP+, provides a strong incentive for the beneficiaries to improve their reporting on the instruments they ratified; ensures a regular follow-up on the implementation of the same; and can contribute to addressing human rights challenges. However, such scorecards are not public, therefore limiting the dialogue between the beneficiary countries, the donor, and Civil Society.

**The UK should actively encourage and facilitate the full participation of local and international CSOs to assess and strengthen the status of women's economic empowerment, as key informants on the priorities, constraints, achievements, and measures to be adopted.** Portela (2018), for example, reveals that while the EU looks to the objectives of poverty reduction, good governance and sustainable development in developing countries, the businesses and governments in beneficiary countries showed primary interest in the economic or "technical" component rather than in the "political" or compliance dimension. CSOs, while already acting as an interlocutor in GSP dialogue with the governments, have not been duly placed in the monitoring process of GSP obligations. Business, on the other hand, are either unaware of labour rights violations occurring several layers further up the supply chain or are uncommitted to the protection of labour rights, and therefore have not delivered on the role of putting pressure on governments to address shortcomings or promotion of human rights.<sup>49</sup> One way to address this lack of engagement would be adding the United Nations Guiding Principles on Business and Human Rights in the list of conventions in order to promote Corporate Social Responsibility, especially amongst big companies and multinational corporations. It would also be useful to leverage and monitor the UN Global Compact on Women's Empowerment Principles.

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<sup>46</sup> *Ibid*, para. 1.

<sup>47</sup> WTO (2015). Implementation of Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries and Increasing LDC Participation in Services Trade. Decision on 19 December 2015. World Trade Organisation, WT/MIN(15)/48 — WT/L/982. So far, 25 countries have notified / granted preferences under the waiver for LDCs.

<sup>48</sup> ITC (2015), *ibid*.

<sup>49</sup> Despite this, it appears that the Rana Plaza incident led to a better involvement from NGOs and CSOs are cooperating to deliver positive changes. See Marriot, R. (2014). The binds that tie: unions, 'solidarity', civil society and foreign policy in Bangladesh. Libcom.org. Available on: <http://libcom.org/news/binds-tie-unions-%E2%80%98solidarity%E2%80%99-civil-society-foreign-policy-bangladesh-02082014-0>

### **Ensuring that the Monitoring System remains open and transparent should be a priority for the UK.**

It is crucial that the monitoring and evaluation (M&E) tool is available to all sectors of the donor and beneficiaries' societies. For example, the EU's GSP+ Scorecards are not made public and are held behind closed doors, thereby limiting the impact that such scorecards can have in promoting reforms, and there is no formal monitoring being applied for those countries benefiting from the Standard GSP and EBA. CSOs can be crucial allies for the UK in ensuring that the adopted GSP, in all its variations, "does no harm", is transparent, inclusive, and contributes to women's economic empowerment in the beneficiary country and the Sustainable Development Goals and the commitment to Leave No One Behind.

**Enhanced monitoring of the gender-specific international conventions and laws to ensure the most impact on women's economic empowerment.** Gender equality has been recognised as a central pillar of the Sustainable Development Goals (SDGs) both as a standalone goal and integrated into all the other goals. In fact, the UK was a world leader in getting gender equality objectives integrated across the SDGs<sup>50</sup>. Goal 5 operationalises gender equality, aiming to achieve gender equality and empower all women and girls. A GSP scheme that enshrines and enforces compliance and implementation with such gender-specific conditions that goes beyond the conditionality of GSP+, could go a long way to ensuring the promotion of women's economic empowerment and meeting the UK's commitment to the Leave No One Behind Agenda.

In terms of indicators, these should be clear in their formulation, and user-friendly in their application. Indicators for monitoring policy should have the following characteristics:

- Simple, to facilitate their use;
- Comparable, to allow comparisons over different trading partners;
- Dynamic, to enable the monitoring of gender impacts of trade over time;
- Feasible, that is, constructed of variables for which information is available in national or international databases.<sup>51</sup>

#### *Box 4 Objectives of M&E Systems*

The monitoring exercise can have a wide variety of aims, ranging from ensuring that the contractual obligations assumed in the agreement are being implemented, to proposing amendments and updates of the agreements, highlighting choke points and challenges, and leading to the development of new strategies and initiatives guiding the regional integration process.

On the one hand, M&E systems can be highly sophisticated, requiring considerable expertise in qualitative and quantitative research methods and extensive information management. On the other hand, they can also be very simple systems, relying mostly upon discussions with stakeholders and do not try to gather large amounts of data. Thus, the sophistication of the M&E system for any project depends on its purpose, scope, available resources and its expertise.

Source: European Commission (2017). EuropeAid Project Cycle Management Handbook.

Overall, indicators related to women's economic empowerment should focus on reducing inequalities in access to and control over productive resources, services, and assets, such as land, other property, employment, income, information, financial services, and other economic opportunities. It is essential to analyse the constraints that prevent women from accessing resources and benefiting equally from

<sup>50</sup> See DFID, FCO (March 2019) Understanding the Basics: Gender Equality is Everyone's Business for a useful summary of Cross-HMG commitments and leadership on gender equality leveraging UK's security, foreign policy, trade and development work.

<sup>51</sup> van Staveren, I. (2007). Gender Indicators for Monitoring Trade Agreements. WIDE Briefing Paper, February. See also De Lombaerde, P., Estevadeordal, A., and Suominen, K. (Eds.). (2008). *Governing regional integration for development: Monitoring experiences, methods and prospects*. London: Ashgate.



development programmes and projects. Comparing rates of participation, access, and control by women and men is necessary to assess whether development initiatives are effective at reducing inequalities.<sup>52</sup> This includes practical and formal barriers but also the informal rules of the game including social norms and historical discrimination which systematically disadvantage women and poor people.

Table 1 Sample of Indicators

<i>Indicators</i>	<i>Method of Calculation</i>	<i>Relevance for GSP / Difficulty to collect</i>
<i>Food affordability index</i>	100/food price index, 2018 = 1	Medium / Low
<i>Gender gap in unemployment</i>	male unemployment rate as % of female	Medium / Low
<i>Female share of agricultural employment</i>	Percentage	Medium / Low
<i>Female share of manufacturing employment</i>	Percentage	Medium / Low
<i>Gender wage ratio</i>	Female as % of male	Medium / Low
<i>Manufacturing gender wage ratio</i>	Female as % of male	High / Medium
<i>Gender equality in export employment (agriculture / manufacturing / textile...)</i>	Male employment rate in the specific sector as % of female	High / Medium
<i>Gender wage gap in export sector (agriculture / manufacturing / textile...)</i>	Female as % of male in the specific sector	High / Medium
<i>Increase in male / female employment by sector/ occupation</i>	Number / percentage increase	High / High
<i>Export increases by sector/ size (m/f owned MSMEs)</i>	Differences in export increases between m/f owned (M) SMEs by sector/ size	High / High
<i>Export revenues increase by x% for male and x% for women</i>	Percentage	High / High
<i>Change of men and women working in functional nodes of a particular sector / value chain</i>	Percentage for female as % of male	High / High
<i>Additional income generation opportunities generated by export diversification (for m/f)</i>	USD / local currency	High / High

<sup>52</sup> ADB (2013). Tool Kit on Gender Equality Results and Indicators. Asian Development Bank & Australian Aid.

### 3.3. Removal and sanctions: procedures and gender-specific considerations

**Unfortunately, there are occasions in which the market access schemes granted to some developing countries by developed countries on the condition of adherence to various human and labour rights commitments – including CEDAW – do not translate into meaningful change for women and girls.** In this context, the EU GSP system was always conceived as a rewarding mechanism rather than a sanction. According to the European Commission (EC), “*the system’s most effective leverage is not primarily based on the real use of sanctions, but on its strength to act as a deterrent due to the consequences of a potential loss of trade preferences*”.<sup>54</sup>

The withdrawal of preferences must be accompanied by effective trade sanctions and *additional measures* to ensure that the non-compliant beneficiary country effectively implements the agreements. According to Beke & Hachez (2015), the current EU GSP system has not been a very powerful lever to induce beneficiaries to ‘effectively implement’ the best standards and to adopt the best practices. This is mainly due to two reasons:

*First, cases of actual withdrawal, or even investigation, have been quite low compared to reported violations.*

*Second, the effect of the withdrawal of trade preferences will be rather low if it is not accompanied by other economic or political sanctions; trade measures from other key trading partners; and active support from the private sector.*<sup>55</sup>

If such conditions are not met, it is likely that change will not happen, diverting trade flows towards other regions and other actors.

**The withdrawal of the preferences might have deep and severe negative consequences for the country’s economy, negatively impacting women.** In the case of Belarus, for example, exports to the EU decreased between 17-20 percent due to the removal of GSP.<sup>56</sup> It is also worth considering that there are countries where the preferences and preference eligibility is somewhat insignificant, mainly due to a narrow export basket, and where most export flows are in any case eligible for the duty-free tariffs under the most-favoured nation (MFN) regime. This is the case, for example, of Lesotho, of which 98.73 percent of its exports to the EU are already duty-free under MFN. On the other hand, there are countries, such as Bangladesh, which rely on trade preferences as the basis of export competitiveness, as only 0.95 percent of existing eligible exports under MFN are duty-free. Jamaica and eSwatini face similar situations.<sup>57</sup>

#### *Box 5 The Effectiveness of Conditionality in the US’s GSP Scheme*

Following the introduction of labour rights criteria in 1984, it has been reported that the GSP scheme has been instrumental in incentivizing a number of countries to undertake labour reform to obtain, maintain, or regain preferential access to the U.S. market. For example, between 1994 and 1999, Mauritania amended its labour code to recognize trade unions in order to regain its lost GSP status. Similarly, Uganda, when faced with the possibility to lose its GSP status due to concerns on labour rights practices, enacted new legislation that, among other things, facilitated union organizations and employed additional labour inspectors.

<sup>53</sup> GIZ (2014). Trade and Gender – exploring a reciprocal relationship: Approaches to mitigate and measure gender-related trade impacts. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

<sup>54</sup> Zamfir, I. (2017). Human rights in EU trade policy. Unilateral measures. European Union. January 2017.

<sup>55</sup> *Ibid.*

<sup>56</sup> Gnutzmanna, H. & Gnutzmann-Mkrtchyan, A. (undated). The Trade Effect of GSP Removal: Evidence from Belarus. Available from: [http://respect.eu.eu/wp-content/uploads/sites/6/2019/02/belexit\\_main.pdf](http://respect.eu.eu/wp-content/uploads/sites/6/2019/02/belexit_main.pdf)

<sup>57</sup> Foliano, F., Cirera, X. & Gasiorek, M. (2016) The impact of preferences on developing countries’ exports to the European Union: bilateral gravity modelling at the product level. *Empirical Economics*, 50 (1). pp. 59-102

**As an alternative, a company-specific approach could be adopted.** Similarly to the application of anti-dumping duties, whenever a country sees its unilateral preferential market access removed due to women's rights violations, a mechanism could be put in place, allowing firms from the affected country to continue benefiting from preferential market access, in the case whereby they can prove to the relevant UK authorities, that they actually and effectively respect women's rights and comply and adhere to the relevant international standards. This way, those companies, particularly SMEs, that comply and promote women's economic empowerment, would not be negatively impacted by the withdrawal of trade preferences.

### 3.4. Rules of Origin requirements

**Complex RoO are one of the most significant barriers faced by exporters, particularly SMEs, whenever they want to access unilateral trade preferences.** Despite the 2012 reform, EU RoO applying to GSP were criticised for being overly complex and restrictive, especially on minimum domestic content and cumulation. As highlighted by Timmis & Mitchell (2019), “[to] be eligible for reduced tariffs, a developing country export must have a minimum domestic content of 30 percent—a higher threshold than the 25 percent minimum recommended by LDC members of the [WTO]. Moreover, exporters cannot easily “cumulate” [...] the 34 African exporters trading under GSP cannot count inputs from elsewhere in the region as domestic content (although they can cumulate with EU members)”.<sup>58</sup>

**RoO, amongst other NTMs, are major barriers impeding women's ability to trade.** The UK, in its new GSP, should facilitate and ease the burden that such requirements imply for women, either through easier-to-comply RoO or by putting in place training systems targeted to women in the beneficiary countries. A possible solution would also consist in modifying the existing *de minimis* rule, granting a waiver in terms of value of duty paid, rather than value of imported goods. This would mean that, as explained by Curiak (2015), “for a tariff rate of 5 percent, a \$1,000 duty payable waiver implies waiver for shipments of \$20,000. [...] For a tariff rate of 20 percent, the \$1,000 duty payable waiver reduces the scale of shipment that can enter without origin certification to \$5,000.”<sup>59</sup> This solution would particularly benefit SMEs, and particularly women-owned SMEs, as it would relieve them from a heavy burden of meeting the RoO, particularly when they want to export small parcels or small quantities of products to the UK.

### 3.5. Going beyond preferences to maximise impact: areas for additional support

**A GSP scheme that better links women traders to international GVCs.** Exporters linked to global supply networks have higher incomes than those embedded in the local market. There is also evidence that linking up to international value chains can reduce the transaction costs and risks linked with standards. Buyers within the chain often transmit know-how to suppliers and guarantee a certain level of sales if standards are met.<sup>60</sup> Therefore, supporting women traders to better integrate with GVCs would increase their economic empowerment overall. This could be done by increasing access to

<sup>58</sup> Timmis, H. & Mitchell, I. (2019). Reforming EU Trade Policy to Accelerate Economic Transformation in Africa. Center for Global Development, October.

<sup>59</sup> Curiak, D. (2015). Making Free Trade Deals Work for Small Business: A Proposal for Reform of Rules of Origin. C.D. Howe Institute ebrief 212, August.

<sup>60</sup> ITC (2015) SME Competitiveness Outlook: Connect, compete and change for inclusive growth. Available at: <http://www.intracen.org/SMECompetitiveness/2015/> p57

information and networks for women, increase access to training for women, ensuring that Aid-for-Trade initiatives contain a gender dimension, etc.<sup>61</sup>

**A GSP scheme would need to go beyond tariff reduction if it is to better facilitate the participation of women in GVCs.** Tariffs are not what affect women the most. Instead, the majority of the challenges experienced by women traders relate to NTBs and wider NTMs. Therefore, a GSP scheme would need to go beyond mere tariff reduction to better address the issues faced by women. In addition, many market access issues experienced by SMEs and smallholders – from infrastructure and connectivity concerns have specific gender dimensions that would need to be tackled by capacity building, improved access to education, upskilling etc.<sup>62</sup> This would suggest a need to provide a more joined-up approach to better tackle women-centric challenges to trade, providing more access to training, trade finance and trade support services, including services targeted at a female audience.

## Case Study 1 - The case of Bangladesh and textiles (EBA)

Bangladesh is the second-largest garment exporter in the world, not least in part thanks to its large, relatively cheap labour force, estimated to be over 72 million people in 2016.<sup>63</sup> For that same year, ILO estimates put female labour participation at 43.2 percent, which was a 2.2 percent increase when compared with 2010.<sup>64</sup>

The main products imported by the EU under the GSP scheme are textiles and apparel. 66 percent of all EU imports under EBA come from Bangladesh (EUR 15.6 billion).<sup>65</sup> The UK is a major trading partner, accounting for 12 percent of all Bangladesh's exports on average between 2016 and 2018. Between 2011 and 2016, total EU imports of textiles and apparel increased by 15.7 percent from EUR 92.4 billion to EUR 106.9 billion. The import of textiles and apparel under GSP increased from EUR 34.6 billion to EUR 39.1 billion – an increase of 12.9 percent. The most significant increase occurred for EBA imports, which almost doubled since 2011 and made up more than half of GSP imports in 2016.

Nearly 95 percent of Bangladesh's exports to the EU – which represents nearly half of the country's total exports – enter the market through the EBA scheme and in 2016, Bangladesh's textiles exports accounted for 76.3 percent of all EBA exports.<sup>66</sup> Bangladesh is the main exporter of textiles and clothing under EBA, but also across the GSP scheme as a whole and the country has made significant use of the preferences granted to them. In 2018, 98 percent of Bangladesh's imports entered the UK under the EBA scheme, which sees the country have a utilisation rate of 98 percent. In that same year, the UK imported GBP 2.7 billion in goods from Bangladesh, with textile and apparel products accounting for 95 percent of this.

Around 80 percent of the sector's workforce in Bangladesh are women, which in turn has had a significant social effect.<sup>67</sup> Increased employment opportunities and the subsequent economic

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<sup>61</sup> See Bamber, P. & Staritz, C. (2016) *The Gender Dimensions of Global Value Chains*. International Centre for Trade and Sustainable Development, Issue Paper, Geneva.

<sup>62</sup> ComSec 2017 p12

<sup>63</sup> World Bank (2016) Available at: <http://data.worldbank.org/indicator/SL.IND.EMPL.MA.ZS?locations=BD>

<sup>64</sup> ILO, 2016

<sup>65</sup> EC, Second report on the effects of GSP and the special incentive arrangement for sustainable development and good governance (GSP+) covering 2016-2017, January 2018

<sup>66</sup> European Union (2018). *Mid-Term Evaluation of the EU's Generalised Scheme of Preferences (GSP)*. Final Report. July 2018.

<sup>67</sup> Rahman M.H & Siddiqui S.A. (2015). *Female RMG worker: Economic Contribution in Bangladesh*. Available at: <http://www.ijsrp.org/research-paper-0915/ijsrp-p4579.pdf>

empowerment of women has led to social changes, giving women a higher status in society, a stronger voice, and more control of financial resources, and in turn decision-making, especially at the household level.<sup>68</sup> In fact, Bangladesh is a leader in terms of gender equality in South Asia and was ranked 72<sup>nd</sup> place out of 144 countries in the 2016 Global Gender Gap Report.<sup>69</sup> This was an increased position from 91<sup>st</sup> out of 115 countries in 2010 due to improvements in the political empowerment of women, as well as better access to healthcare and education.

Nonetheless, the level of economic participation and opportunity for women has not advanced further, and, in fact, has slightly decreased.<sup>70</sup> Women remain underrepresented in almost all positions of power and every sector with the exception of textiles and agriculture, as well as tertiary education. There is also a significant wage gap with women earning a third less than men, which has not been helped by the stagnation of wages in recent years, especially in the textiles sector, which has been coupled with lower job creation. The informal economy is also a significant issue, accounting for 43 percent of Bangladesh's GDP and offering wages that are 8 percent lower on average.<sup>71</sup>

Since April 2018, Bangladesh is a recipient of the She Trades Commonwealth Programme. She Trades is to provide training to 3,000 women entrepreneurs in four Commonwealth countries (Bangladesh, Ghana, Kenya and Nigeria), generating an estimated GBP 28 million worth of sales.

## Case Study 2 - The case of Pakistan's garment industry (GSP+)

Pakistan presents an interesting case whereby the impact of GSP+ on women has been mixed. The country is the biggest GSP+ beneficiary since it was granted this status in 2014, mainly due to its textile exports to the EU – 74 percent of all EU imports under GSP+ come from Pakistan (EUR 5.5 billion).<sup>72</sup> In 2018, Pakistan was the largest importer within the GSP+ scheme, importing 41 percent of all imports into the UK via GSP+. And 86 percent of all of Pakistan's imports entered the UK under GSP+ in 2018.

The EU is the world's top importer of textiles and clothing and Pakistan has steadily increased its exports to the EU over this time. In 2016, Pakistan exported EUR 4.6 billion worth of textiles and clothing, accounting for 97.7 percent of the total imports under the GSP+ arrangement. In 2014, there was a significant increase of 25 percent in Pakistan's exports, mostly due to the country's transition from GSP to GSP+, following ratification of the necessary conventions on human rights.<sup>73</sup> In 2018, textile products accounted for 77 percent of the UK's imports from Pakistan.

However, the garment industry, traditionally one filled with women in other countries, actually remains dominated by men, and working women are exposed to multiple forms of discrimination. Pakistan overall has a poor record as regards gender equality due to the patriarchal nature of society, and the lower status granted to women. The European Parliament has expressed numerous concerns over the years as regards Pakistan and the inequality of women, as well as child labour, religious discrimination, violation of labour rights, etc. and on several occasions MEPs have proposed the

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<sup>68</sup> European Union (2018). *Ibid.*

<sup>69</sup> World Economic Forum. (2016). *The Global Gender Gap Report 2016*. Available at: <http://reports.weforum.org/global-gender-gap-report-2016/economies/#economy=BGD>

<sup>70</sup> European Union (2018). *Ibid.*

<sup>71</sup> *Ibid.*

<sup>72</sup> EC, Second report on the effects of GSP and the special incentive arrangement for sustainable development and good governance (GSP+) covering 2016-2017, January 2018)

<sup>73</sup> European Union (2018). *Ibid.*

suspension of Pakistan from the GSP+.<sup>74</sup> In fact, a study commissioned by the European Parliament's Department of External Relations showed that freedom of association and bargaining are prohibited in Pakistani Export Processing Zones, thus limiting the rights of workers.<sup>75</sup>

Workers are also excluded from any welfare protections in the form of social security and pensions for example. Therefore, whilst poverty has decreased it is questionable how much impact the increased exports under GSP+ have had on women or society at large.

## Case Study 3 - The case of Nigeria's cocoa exports (GSP)

Nigeria is a beneficiary of standard GSP and is one of the countries that makes the most use of preferences granted, with a utilisation rate of 67.3 percent in the period 2014-2016.<sup>76</sup> However, this is down from 83.5 percent for the preceding period, 2011-2013. For the UK, this rate stands at 38 percent. The level of diversification by tariff line for Nigeria stood at 1,500 in the period 2014-2016, which was a 10 percent increase from the period 2011-2013.

The country has ratified all ILO conventions on labour rights, as well as all UN conventions on human rights, good governance, and climate change and environmental protection. In addition, the country was ranked 109 in 2017 on the Social Progress Index (SPI), up from 123 in 2014, thanks to overall improvements across the three core dimensions evaluated – basic human needs, foundations of wellbeing, and opportunity.<sup>77</sup> And, in fact, was one of the top improvers in this period.<sup>78</sup>

Preferential access is especially important for Nigeria's agricultural imports, such as cocoa and processed cocoa, which without would see significant MFN tariffs applied. As a GSP beneficiary, Nigeria's cocoa imports pay a reduced tariff rate of 4.2 percent from the standard MFN of 7.7 percent. Cocoa and processed cocoa are one of the UK's top ten imports from Nigeria, and in 2018, 100 percent of Nigeria's cocoa butter imports entered the UK under GSP. The UK imported GBP 9 million in cocoa butter and GBP 2 million in cocoa beans from Nigeria in 2018.

Cocoa is a major export crop for Nigeria, and the country produces around 12 percent of global cocoa, making it the fourth-largest producer in the world.<sup>79</sup> The sector is dominated by smallholder farmers, often comprising family-run farms. The physically demanding nature of the cocoa sector means that fewer women are engaged in it, especially when it comes to field-level tasks such as clearing of the land, fumigation, pruning, shade reduction, plucking of the pods from the cocoa trees, etc.<sup>80</sup> However, women cocoa farmers remain central to the sector due to the labour-intensity of the crop, and are often responsible for weeding, scooping the beans from the opened husks, turning the beans as they

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<sup>74</sup> European Parliament Assessment (2018). Available at:

[http://www.europarl.europa.eu/RegData/etudes/STUD/2018/627134/EPRS\\_STU\(2018\)627134\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2018/627134/EPRS_STU(2018)627134_EN.pdf)

<sup>75</sup> *Ibid.*

<sup>76</sup> European Union (2018). *Ibid.*

<sup>77</sup> Social Progress Index. Available at: <https://socialprogress.blog/2019/09/18/announcing-the-2019-social-progress-index/>

<sup>78</sup> However, the latest results in 2019, see the country drop back to 121 mostly due to poor scoring on basic human needs.

<sup>79</sup> Future Agricultures, Nigeria: Viewing Iwara's Cocoa Sector Through a Gendered Lens, November 2018. Available at:

<https://www.future-agricultures.org/blog/nigeria-viewing-iwaras-cocoa-sector-through-a-gendered-lens/>

<sup>80</sup> ITC (2010). Women in the Cocoa Sector. Available at: <http://www.intracen.org/itc/sectors/cocoa/>; See also ITC, Labour, Women and Cocoa Preparation. Available at: <http://www.intracen.org/layouts/three-column.aspx?Pageid=225&id=1471>

dry in the sun, and sewing the jute sacs for example.<sup>81</sup> It is also notable that female labour hired during the harvest, tend to be paid the same as their male counterparts.<sup>82</sup>

Marketing, trading and exporting are areas favoured by women in the sector. However, NTBs, in particular, as regards SPS and TBTs are especially burdensome to overcome, given access to education and finance limitations. Women cross-border traders also struggle to access customs and trading information, in addition to sexual harassment and exploitation issues. Advances in technology can play a large role here, whether through online selling or single window developments. In a 2010 study, it emerged that among the household factors that most enabled women's ability to make decisions in cocoa, and in turn decisions concerning their own basic needs, were higher levels of formal education, greater amounts of time available for contributing to cocoa farming, and the ability to make greater financial contributions.<sup>83</sup>

In an emerging example of good practise in the sector in Nigeria, is the case of the Farmer's Development Union (FADU) working to adapt the Gender Action Learning System (GALS), to build an understanding of gender issues in cocoa communities and to build the foundations for empowering and supporting female cocoa farmers.<sup>84</sup> As part of this process, FADU, together with Oxfam Nigeria, has developed a tool to map the cocoa supply chain as a way to promote collaboration and respect between the different actors along the value chain, in particular between men and women.<sup>85</sup>

Since April 2018, Nigeria is a recipient of the She Trades Commonwealth Programme. She Trades is to provide training to 3,000 women entrepreneurs in four Commonwealth countries (Bangladesh, Ghana, Kenya and Nigeria), generating an estimated GBP 28 million worth of sales.

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<sup>81</sup> ITC, Labour, Women and Cocoa Preparation. *Ibid.*

<sup>82</sup> ITC, Labour, Women and Cocoa Preparation. *Ibid.*

<sup>83</sup> Anselm A. Enete and Taofeeq A. Amusa. (2010). 'Determinants of Women's Contribution to Farming Decisions in Cocoa Based Agroforestry Households of Ekiti State, Nigeria.' Field Action Science Reports. Volume 4, 2010.

<sup>84</sup> Marston, A. Oxfam Discussion Paper, Womens Rights in the Cocoa Sector: Examples of emerging good practice, March 2016. Available at: [https://www-cdn.oxfam.org/s3fs-public/file\\_attachments/dp-womens-rights-cocoa-sector-good-practice-100316-en.pdf](https://www-cdn.oxfam.org/s3fs-public/file_attachments/dp-womens-rights-cocoa-sector-good-practice-100316-en.pdf)

<sup>85</sup> *Ibid.*

# Annex 1: Conventions for GSP eligibility

*Fifteen conventions relating to core human and labour rights listed in Annex VIII, Part A, The Regulation [No. 978/2012]:*

- i. Convention on the Prevention and Punishment of the Crime of Genocide (1948);
- ii. International Convention on the Elimination of All Forms of Racial Discrimination (1965);
- iii. **International Covenant on Civil and Political Rights (1966)\*;**
- iv. International Covenant on Economic Social and Cultural Rights (1966);
- v. **Convention on the Elimination of All Forms of Discrimination Against Women (1979)\*;**
- vi. Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (1984);
- vii. Convention on the Rights of the Child (1989);
- viii. Convention concerning Forced or Compulsory Labour, No. 29 (1930);
- ix. **Convention concerning Freedom of Association and Protection of the Right to Organize, No. 87 (1948)\*;**
- x. **Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No. 98 (1949)\*;**
- xi. **Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No. 100 (1951)\*;**
- xii. Convention concerning the Abolition of Forced Labour, No. 105 (1957);
- xiii. **Convention concerning Discrimination in Respect of Employment and Occupation, No. 111 (1958)\*;**
- xiv. Convention concerning Minimum Age for Admission to Employment, No. 138 (1973);
- xv. Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, No. 182 (1999);

*Twelve conventions relating to the environment, good governance and the fight against drug production and trafficking, as listed in Part B of Annex VIII, The Regulation [No. 978/2012]:*

- xvi. Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973);
- xvii. Montreal Protocol on Substances that Deplete the Ozone Layer (1987);
- xviii. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989);
- xix. Convention on Biological Diversity (1992);
- xx. United Nations Framework Convention on Climate Change (1992);
- xxi. Cartagena Protocol on Biosafety (2000);
- xxii. Stockholm Convention on Persistent Organic Pollutants (2001);
- xxiii. Kyoto Protocol to the United Nations Framework Convention on Climate Change (1998);
- xxiv. United Nations Single Convention on Narcotic Drugs (1961);
- xxv. United Nations Convention on Psychotropic Substances (1971);
- xxvi. United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988);
- xxvii. United Nations Convention against Corruption (2004).

\*The marked conventions are those that can have direct impacts on women's rights and thus can be used as a benchmark for evaluating compliance regarding gender equality and women's economic empowerment.



## Annex 2: EU GSP at a glance

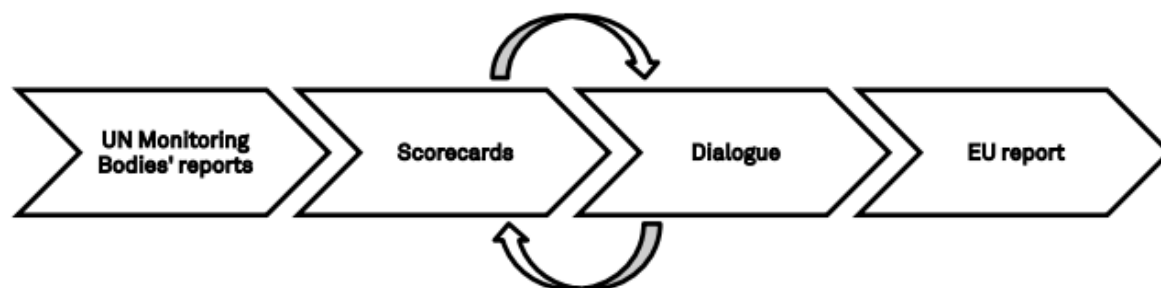
<i>Scheme</i>	<i>Standard GSP</i>	<i>GSP+</i>	<i>EBA</i>
<b>Benefits</b>	Reduced or zero tariffs on 66 percent of EU tariff lines	Zero tariffs on 66 percent of EU tariff lines	Zero tariffs on all exports except arms and ammunition
<b>Eligible countries</b>	All developing countries	Vulnerable developing countries	Least Developed Countries
<b>Conditions</b>	Compliance with the principles of 15 UN/ILO conventions on core human and labour rights	Ratification and implementation of the above + 12 conventions on the environment/good governance	Compliance with the principles of 15 UN/ILO conventions on core human and labour rights
<b>Beneficiary countries*</b>	Congo, Cook Islands, India, Indonesia, Kenya, Micronesia, Nauru, Nigeria, Niue, Samoa, Syria, Tajikistan, Tonga, Uzbekistan, Vietnam	Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, The Philippines, Sri Lanka	Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Congo (DRC), Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar (Burma), Nepal, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia

Source: European Union, 2019.

\* List of Beneficiary Countries as of 01 January 2019.

## Annex 3: GSP+ Monitoring Process

Figure 2 GSP+ Monitoring Process



Source: Democracy Reporting International, 2017

Article 14 of the GSP Regulation provides for the GSP+ Monitoring Process which is conducted on a biennial basis. To start a GSP+ assessment of a country, the EU looks to reports prepared by the UN monitoring bodies and special rapporteurs for the relevant conventions, including civil society, social partners, the European Parliament or the Council. Recommendations laid out in these reports are the key source for a country's initial List of Issues ('Scorecard').

A Scorecard is a list of issues that the European Commission prepares for each GSP+ country. Its purpose is two-fold:

- It highlights 1) progress and 2) relevant shortcomings that should be addressed by the country in order to effectively implement the 27 conventions.
- It facilitates an annual exchange of information on the GSP+ commitments between the European Commission and the beneficiary country ('the dialogue').

Beneficiaries receive their individual Scorecard upon notification of their GSP+ entry or immediately thereafter. It indicates the baseline of the country's situation and draws attention to key issues. The subsequent Scorecards build on this qualitative analysis, recognising improvements and further identifying issues that the EU expects the GSP+ country to address.

According to the EU, the Scorecards are kept confidential "in order to build trust between the parties that subsequently discuss it". Several organisations have suggested that this secrecy inhibits key players (e.g. CSOs and labour rights organisations) from fully participating in the monitoring process.

The Scorecard is one of two interrelated tools within the GSP+ monitoring process. The other tool is the GSP+ dialogue, which the Scorecard contributes to. Based on the Scorecard, the European Commission, European External Action Service (EEAS) and GSP+ country, at least once a year, enter an ongoing discussion to tackle shortcomings as well as discuss difficulties and progress. The outcomes of the dialogue are translated back into the subsequent Scorecards. From one Scorecard to the next, the GSP+ country is expected to demonstrate that it has made serious efforts toward addressing the identified problems.

This monitoring process is important in several ways:

- Ensuring regular monitoring and follow-up on the implementation of international obligations.
- Allowing for the identification of not only shortcomings and progress, but also constraints that may impede or prevent the country from implementing a convention effectively.

- Opening up space to create proposals for laws and practices to address challenges.
- Providing opportunities for the European Commission to reach out to local stakeholders to 1) gather firsthand information and 2) build their awareness about the GSP+ process and the EU's expectations.

Source: *Democracy Reporting International (2017). Factsheet: GSP+ Monitoring Process.*

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