

WOMEN AND TRADE

THE ROLE OF TRADE IN PROMOTING
GENDER *EQUALITY*



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OVERVIEW

The goal of this report is to improve the understanding of the impacts of trade and trade policy on gender equality, and to provide policy makers with evidence on the benefits of trade for women and with potential policy solutions. The report uses a conceptual framework that illustrates the diverse transmission channels through which trade and trade policy can affect women, according to three key economic roles they play: workers, consumers, and decision makers. The report also gathers and analyzes new data¹ to show how trade and trade policy can affect women and men differently—in wages, consumption, and welfare, and in the quality and quantity of jobs available to them. New empirical analysis based on these data suggests that expanding trade can act as an impetus

for countries to improve women's rights and boost female participation in the economy.

The report comes amid the COVID-19 pandemic that has laid bare the economic opportunities and challenges women face, some of which are driven by trade. For example, trade in goods and services, especially online, has helped women to mitigate the negative impact of the crisis. At the same time, women's specialization in the manufacture of apparel and the provision of touristic services has left them more vulnerable to the trade shock of this crisis (box O.1). Overall, because some trade links have already broken and near-term trade growth remains weak, women are in danger of losing a sizable share of the economic gains they have reaped as a result of trade.

Box O.1 Early evidence on the impact of COVID-19 on trade and women

The COVID-19 pandemic poses serious health and economic challenges for all countries. Early evidence suggests that the pandemic is likely to hit women more than previous economic downturns have, especially in low-income countries (WTO 2020). Trade is one channel through which women experience this effect because of the sectors in which they work.

For example, women account for 60 to 80 percent of the workforce in the global value chain (GVC) for apparel, which has been severely affected by the pandemic. The large volume of order cancellations and the temporary closure of retail shops have buffeted the global garment industry, resulting in factory shutdowns in Bangladesh, Cambodia, Vietnam, and other countries (Devnath 2020). The entire global supply chain is experiencing job losses, from those picking fibers used to make textiles to those selling the finished fashion product in a physical shop or online (BoF and McKinsey & Company 2020). Given that seasonal factors drive a large amount of clothing spending, a significant share of the revenues will be permanently lost as a result of the lockdown (Dennis 2020).

Sectors such as tourism and hospitality—in which women are particularly active as employers or employees—have been hit hard by international travel and trade restrictions imposed by countries to contain the pandemic. These sectors are also expected to experience a relatively slow recovery because of lower consumer confidence and the likelihood of longer restrictions on international movement of people (UNWTO 2020). Other sectors, including food services and handicrafts, that depend on tourism and employ a large share of women have also been hurt.

The lockdown and social distancing measures have led some companies to adopt or increase teleworking in order to ensure continuity of their activities. A large number of women, however, simply cannot telework, especially women working in sectors like light manufacturing or retail that require face-to-face interactions (Adams-Prassl et al. 2020). Much lower information technology literacy rates and a much higher burden of childcare, because of school closure, also prevent women from telecommuting. In addition, lower financial resources put the survival of women-owned businesses at greater risk.

As this report demonstrates, women are often more economically vulnerable than men and thus are less likely to be resilient in the face of the crisis. As economies emerge out of the crisis, it is important that governments generate long-term gender-inclusive growth by addressing the constraints that women face. Although most of this report was prepared prior to the onset of the COVID-19 pandemic, policy makers can draw on the report's lessons to find ways that trade can continue to benefit women.

Trade improves the lives of women

In an integrated world, the competitive pressure generated by trade raises the cost of discrimination against women. Countries that do not allow women to fully participate in the economy are less competitive internationally—particularly those countries with export industries that globally have high female employment rates (World Bank 2011).

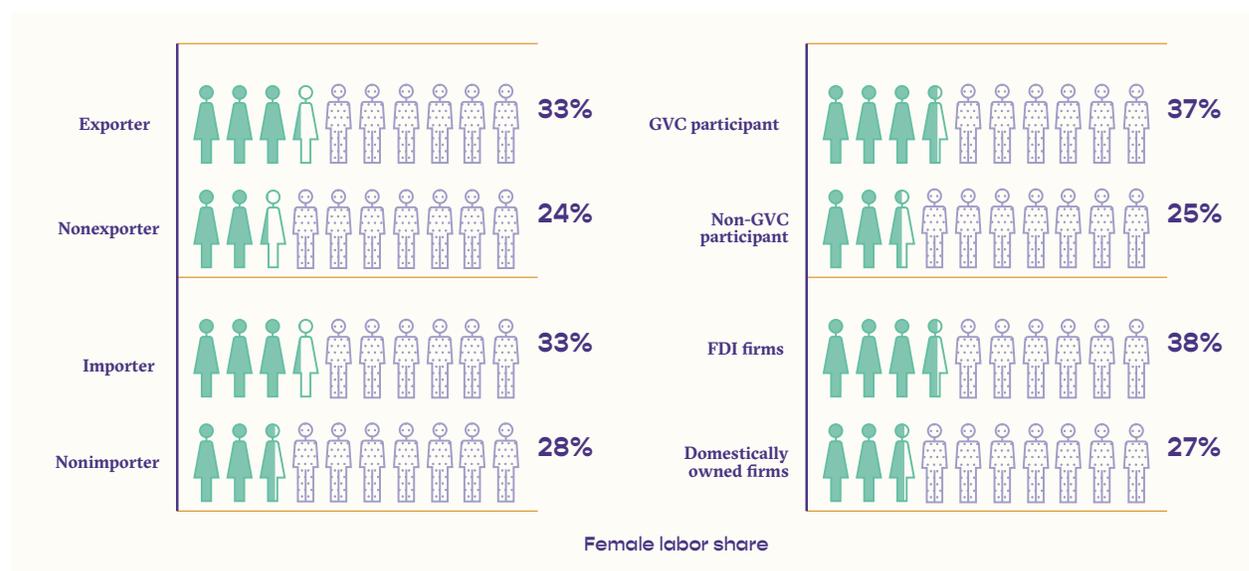
The novel analysis produced for this report confirms that trade can substantially improve economic outcomes for women, by increasing employment and wages, creating better jobs, and lowering costs. But the positive effects of trade will materialize only if the barriers that hold women back are lifted and appropriate policies to deal with adjustment costs are put in place. Highlights from the analysis include the following:

- Firms that engage in international trade employ more women. In developing countries women make up 33.2 percent of the workforce of firms that trade internationally, compared with just 24.3 percent of nonexporting firms and 28.1 percent for nonimporting firms (figure O.1). Women are also better represented in firms that are part of global value chains (GVCs), and that are foreign owned. Women constitute 36.7 percent of the workforce of GVC firms and 37.8 percent of the workforce of foreign-owned firms—10.9 and 12.2 percentage points more, respectively, than the proportion for non-GVC and domestically owned firms. In countries such as Morocco, Romania, and Vietnam, women represent 50 percent or more of the workforce of exporting firms—which have created jobs for more than 5 million women, roughly 15 percent of the female population working in these countries.



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Figure O.1 Average female labor share is higher for manufacturing firms integrated into global trade



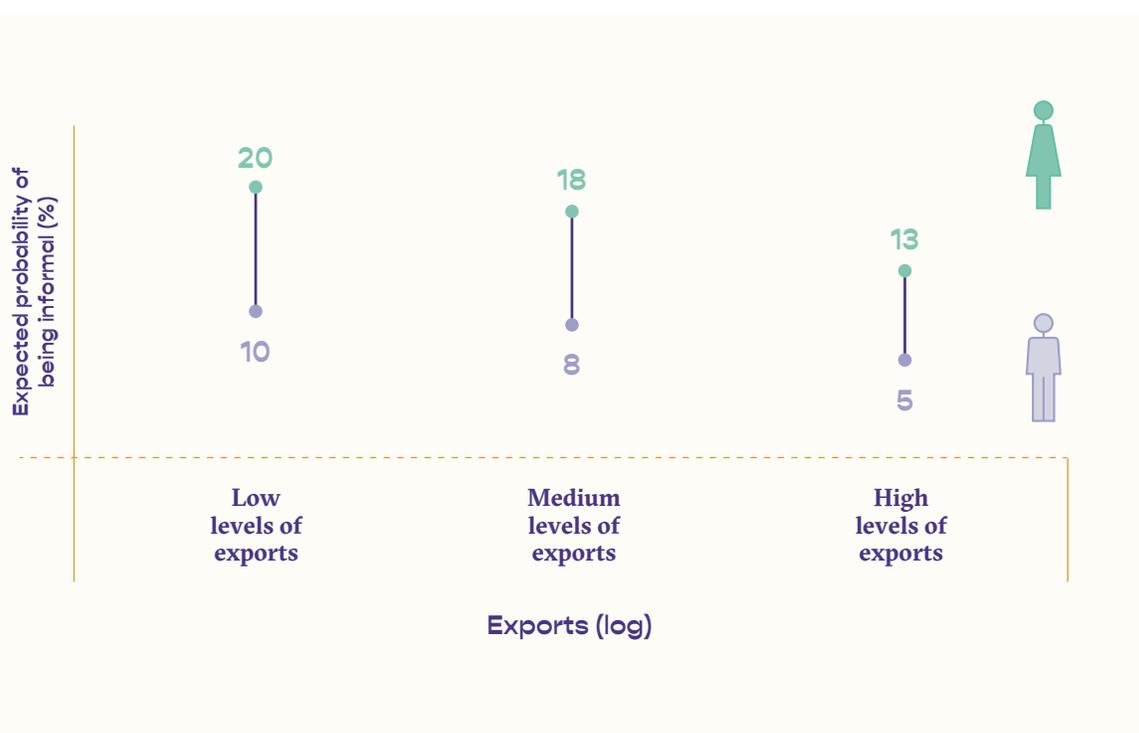
Source: Rocha and Winkler 2019, based on World Bank Enterprise Surveys.

Note: The graph shows weighted averages by firm type, using the number of permanent workers as weights. Exporters are firms with an export share (direct or indirect) of at least 10 percent of total sales. Importers are firms with an imported input share of at least 10 percent of total inputs. GVC (global value chain) participants are firms that are classified as both exporters and importers. FDI (foreign direct investment) refers to firms with a foreign ownership share of at least 10 percent.

- Trade increases women’s wages and increases economic equality. Globally, women take home a smaller share of wages. When developing countries double their manufacturing exports—typical for developing countries that open themselves to trade—women’s share of total manufacturing wages rises by 5.8 percentage points on average, through a combination of increased employment and higher salaries. In Africa, freer trade could help close the wage gap, especially for skilled women workers. Analysis on the implementation of the African Continental Free Trade Area (AfCFTA) suggests that, by 2035, wages for skilled and unskilled female labor would be 4.0 percent and 3.7 percent higher (relative to baseline), respectively, compared with a 3.2 percent increase for all males (World Bank, forthcoming). That increase translates roughly to an extra two weeks’ pay each year—enough for a woman earning US\$5 a day to pay for one family member’s personal supplies, school supplies, and uniform for an entire school year.

- Trade creates better jobs for women. In both developing and emerging economies, workers in sectors with high levels of exports are more likely to be employed formally—giving them opportunities for benefits, training, and job security. For women, the probability of being informal goes from 20 percent in sectors with low levels of exports to 13 percent in sectors with high levels of exports (figure O.2). Women’s rates of informality also decline more sharply relative to men’s (with an overall 7-percentage-point reduction for women compared to 4 percentage points for men).

Figure O.2 Women are less likely to be in informal jobs if they work in trade-integrated sectors



Source: World Bank Household surveys for the most recent available years, <https://www.enterprisesurveys.org/en/data>; World Bank Gender Disaggregated Labor Database (GDL), <http://datatopics.worldbank.org/gdl/>.

Note: The graph shows the expected probability that a woman will have an informal job, defining informality as being a nonpaid worker. Low, medium, and high refer to the observations falling under the 25th percentile, between the 25th and 75th percentiles, and above the 75th percentile, respectively. See annex IA (chapter 1 of this report).

• Trade openness can increase women's welfare. Evidence from the United States suggests that products specifically consumed by women face a higher tariff burden (Gailes et al. 2018). This higher burden is the result of higher applied tariffs and greater spending on imported goods by women consumers. In the textile sector, for instance, the tariff burden on women's apparel was US\$2.77 billion higher than on men's clothing, and this gender gap grew about 11 percent in real terms between 2006 and 2016. As a result, tariff liberalization would lower the costs for women consumers and raise their welfare. A recent study for a sample of 54 developing countries suggests that eliminating import tariffs could result in a rise in real income for female-headed households relative to male-headed households in more than three-quarters of the countries considered. Compared

with male-headed households, female-headed households tend to spend a larger share on agricultural goods (food), which are usually subject to higher tariffs, and to have a lower share of their income coming from wages. Other sources of income in female-headed households include income from the production of household services for own consumption (including meals, clean clothes, and childcare), social transfers in kind, and current transfers received (other than social transfers in kind). They could therefore gain up to 2.5 percent more real income than male-headed households through the removal of import tariffs (figure O.3). In countries such as Burkina Faso or Cameroon, eliminating trade policy bias would mean a gain for women equivalent to annual expenditure on education or health.

Figure O.3 The current tariff structure benefits male-headed households in 78 percent of countries assessed



Source: Based on estimates by Depetris-Chauvin and Porto, forthcoming.

Note: The male-to-female gender bias is computed as the difference in the welfare gain, in terms of real income, from trade liberalization for female-headed households versus male-headed households. For each country, the index combines the structure of protection with the patterns of expenditure shares and income shares. World Bank country naming conventions used.

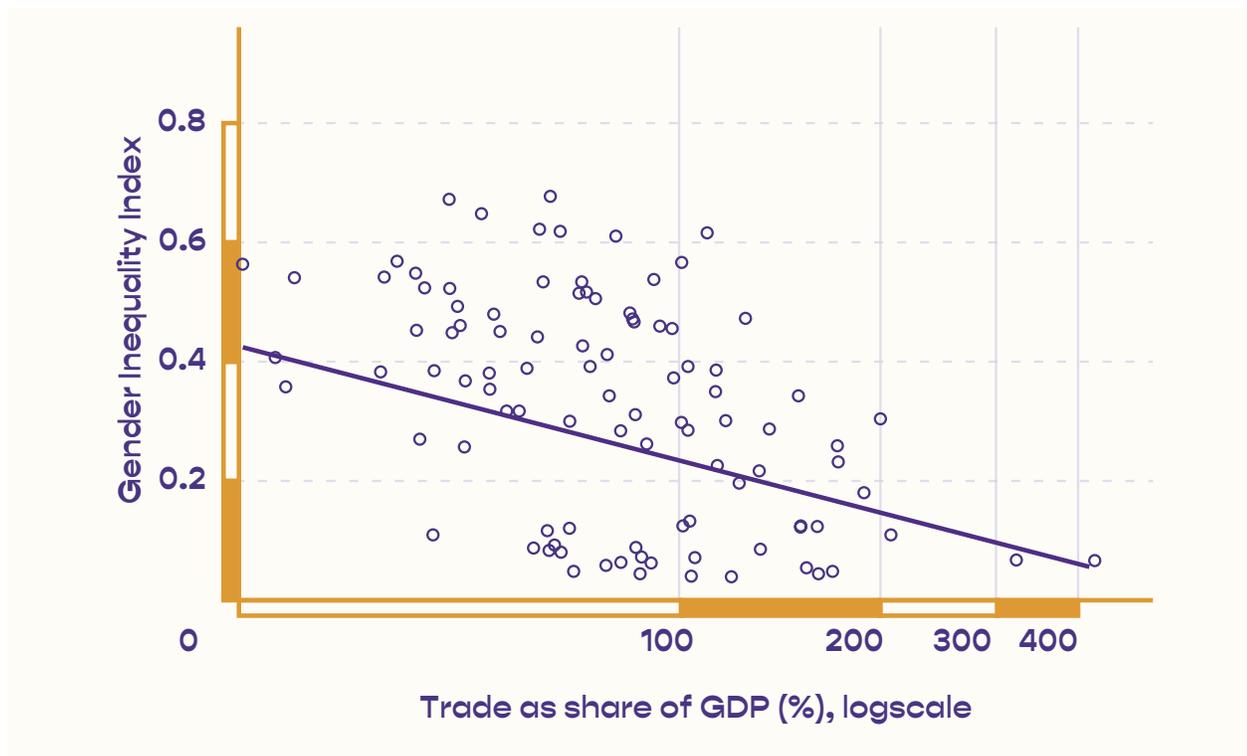
The changing nature of trade creates new opportunities for women

Empirically, countries that are more open to trade, as measured by the ratio of trade to gross domestic product, have higher

levels of gender equality (figure O.4).

Trade liberalization is linked to greater accumulation of education and skills (that is, human capital), and increased gender equality (Schultz 2007). Trade can also create incentives for countries to expand women's legal rights and their access to crucial resources such as education and technology. Improved women's rights have also promoted more trade. This has led to a virtuous circle between increased trade and gender equality. In contrast, high levels of gender inequality are linked to lower product and export diversification. This is especially true in lower-income countries, where gender gaps in education and the labor market decrease potential innovation (Kazandjian et al. 2019).

Figure O.4 Countries that are more open to trade have higher levels of gender equality



Source: Figure created using data from the United Nations Development Programme's Gender Inequality Index dataset, <http://hdr.undp.org/en/data>, and World Bank World Development Indicators, <https://datacatalog.worldbank.org/dataset/world-development-indicators>.
Note: The Gender Inequality Index measures gender inequalities in three important aspects of human development—reproductive health, measured by maternal mortality ratio and adolescent birth rates; empowerment, measured by proportion of parliamentary seats occupied by females and proportion of adult females and males aged 25 years and older with at least some secondary education; and economic status, expressed as labor market participation and measured by labor force participation rate of female and male populations aged 15 years and older.

The growing role of services in the global economy and trade, the rise of GVCs, and the adoption of new digital technologies create new and powerful opportunities for women to better reap the benefits of trade. Improving women's productivity in these sectors is essential to close the gender gap, especially for the most vulnerable women.

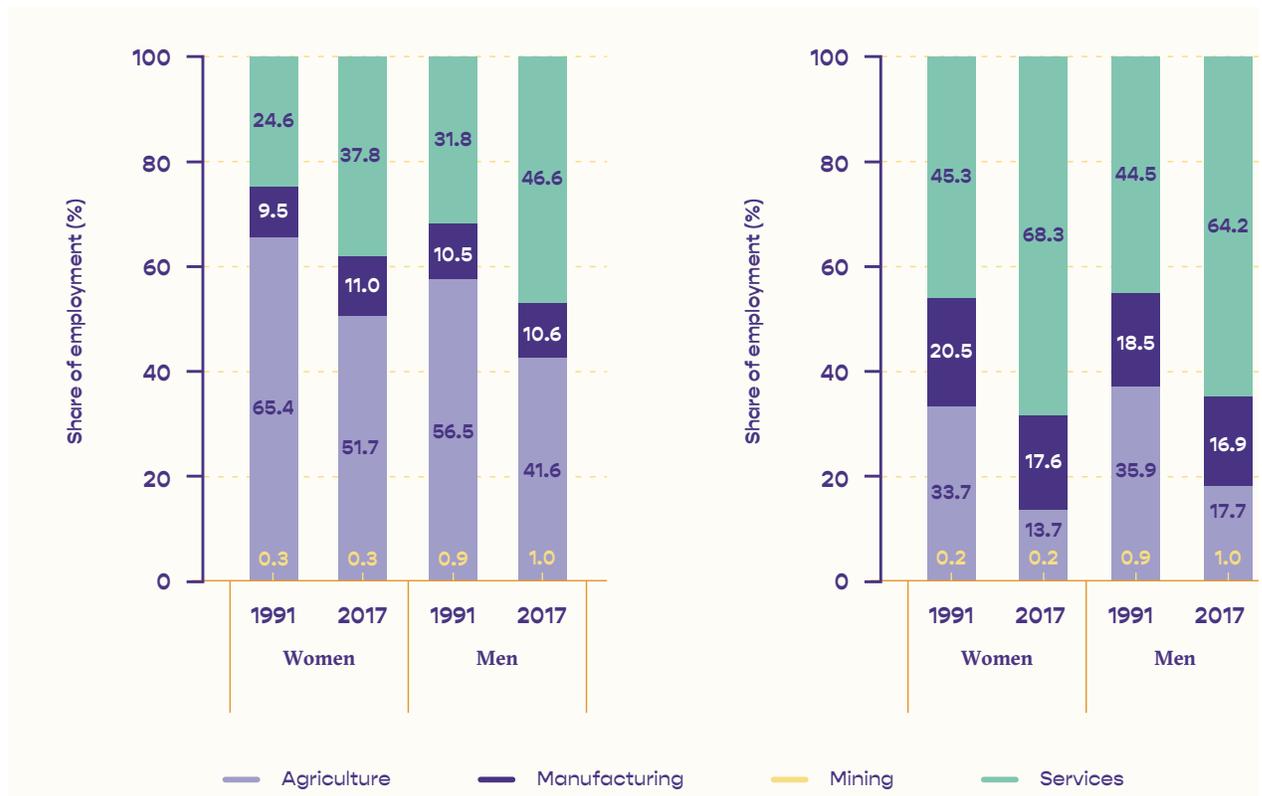
The servicification of the economy

Services play an increasingly important role in job creation, economic output, and trade in countries at all development levels. Services now create most jobs globally, and they do so earlier in the development process. This trend can be referred to as servicification. Since

2005, the average global growth of services trade was about 17 percent higher than the average growth of trade in goods (WTO 2019).

The service economy, including services trade and investment, provides an important source of inclusive growth (Ngai and Petrongolo 2017). Between 1991 and 2017, employment shares in the services sector expanded by 13 and 15 percentage points for female and male workers, respectively. More than two-thirds of women in upper-middle- and high-income countries were employed in the services sector in 2017, up from 45 percent in 1991. In low- and lower-middle-income countries, the proportion of women in the services sector jumped to 38 percent from 25 percent over the same period. Male workers followed a similar but less drastic trend (figure O.5).

Figure O.5 Female employment has shifted into services, 1991 versus 2017



Source: International Labour Organization Department of Statistics, https://www.ilo.org/shinyapps/bulkexplorer46/?lang=en&segment=indicator&id=EMP_2EMP_SEX_ECO_NB.
 Note: Employment by sector based on modeled estimates from the International Labour Organization, May 2018. Construction and utilities are included as Services.



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As the development level of a country increases, so do the skills demanded within services, which has led to women's occupying an increasing proportion of high-skill services jobs such as corporate managers and health and teaching professionals. Today women represent almost 40 percent of high-skilled service workers in high-income countries, a 33 percent increase since 1991. In low-income countries women have seen an 11 percent increase in high-skill services work since 1991. Although this share represents just 3 percent of highly skilled workers in low-income countries, the employment growth potential continues to increase.

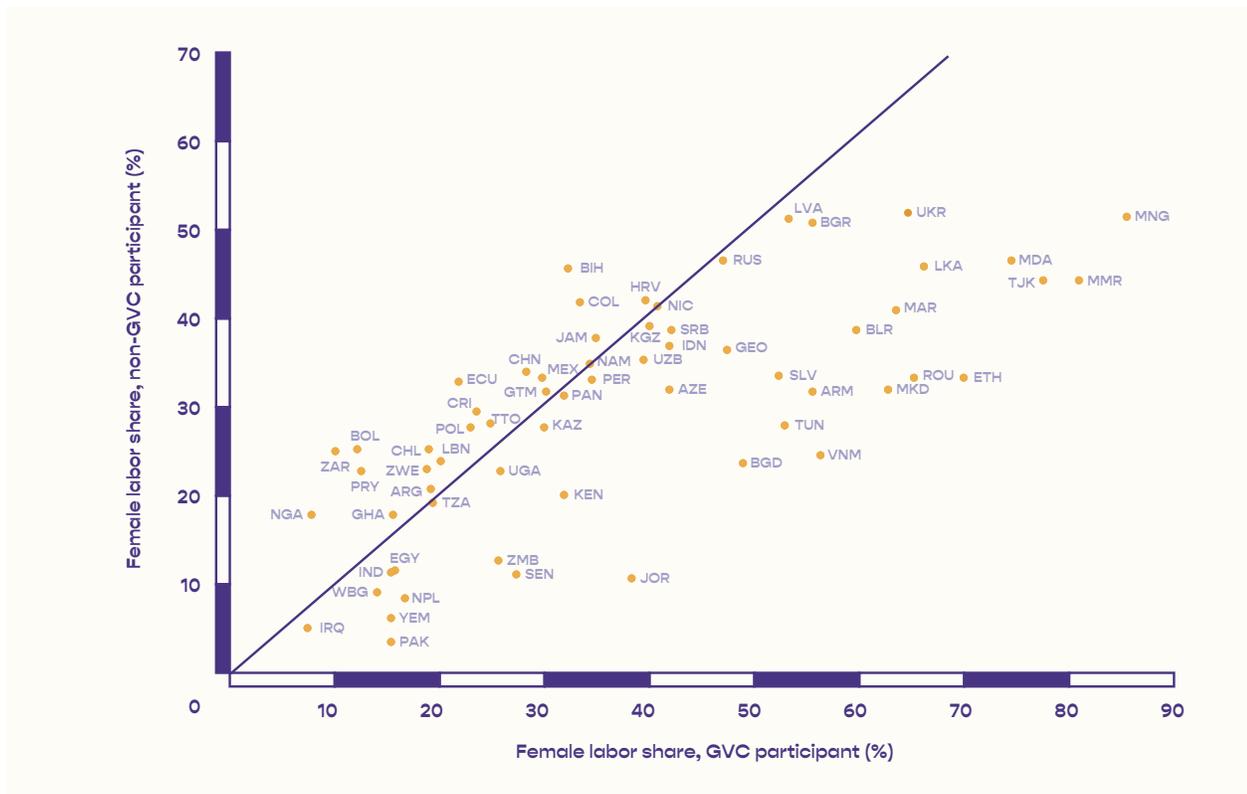
The rise of GVCs

International trade is increasingly dominated by GVCs, which spread different stages

of production across countries. GVCs can provide an opportunity for export growth, employment, higher incomes, and knowledge and technology transfers. Women working in GVCs have a 10-percentage-point higher probability of holding a formal job relative to women working in sectors that are not highly integrated into GVCs.

Across the world, firms that both export and import tend to employ more women than firms that do not participate in GVCs (figure O.6). Foreign-owned firms as well as firms that export or import also have higher female labor shares on average than firms that do not. The relationship is strongest for GVC participants. GVC jobs can also have positive, indirect effects on other aspects of women's livelihoods, such as education. In Bangladesh, for example, young women in villages exposed to the garment sector—an export-intensive

Figure O.6 GVC firms employ more women than non-GVC firms



Source: Rocha and Winkler 2019, using data from World Bank Enterprise Surveys for the most recent available years, <https://www.enterprisesurveys.org/en/data>. Note: Each dot represents a country-year observation. The x axis plots the employment-weighted share of female workers in total workers within firms that both export and import (GVC participant) within each country-year. The y axis plots the employment-weighted share of female workers in total workers within firms that do not export and import (nonparticipant). For a list of country codes go to <https://www.iso.org/obp/ui/#search/code/>. GVC = global value chain; WBG = World Bank Group.

sector—delay marriage and childbirth, and young girls gain an additional 1.5 years of schooling (Heath and Mobarak 2015).

The challenge in GVCs is to ensure that women have better access to higher-skill tasks and occupations. Female workers still tend to be concentrated in low-skill roles and nonmanagerial jobs. The spread of more inclusive management practices presents an opportunity for GVCs to open more roles for women, especially as countries upgrade their economies into high-tech and capital-intensive industry segments for the export market.

The rise of digital technologies and trade

The growing capability and accessibility of digital technologies could help women gain even more from trade. Women tend to face disproportionately higher barriers to trade compared to men. In addition to discrimination, women face greater barriers to finance, higher costs of doing business, and more limited access to information and markets. New online platforms give women the opportunity to bypass these barriers and expand their entrepreneurial skills, as well as providing women with the flexibility that can help them manage work and other responsibilities.

Digital platforms in both developed and developing economies have witnessed a sharp rise in women-owned companies, in particular micro and small enterprises, over the years. Increasingly, education and health services are traded online, which not only increases women's access to these services but also provides women better employment opportunities in sectors where they face less discrimination.

Better policies can help *women* overcome the challenges of trade and maximize its benefits

The preponderance of evidence demonstrates the positive impact of trade on gender equality. For women to benefit, however, policy makers need to actively address the challenges that trade itself can create while introducing complementary policies that enable women to fully participate in the economy.

There are three main challenges in ensuring that increased trade positively impacts women. First, although the overall correlation between national income, trade, and gender equality is high, some countries have shown that growth does not necessarily depend on gender equality. Several resource-rich countries have become high-income without integrating women into the workforce. Gender equality may increase the gains from trade, but it is possible for countries to benefit from trade even while keeping discriminatory policies in place. Greater gender equality can promote trade and economic growth even further—including in those countries. The positive impact of trade on gender equality therefore hinges on governments' political will and commitment to sustain gender diversity and equality in the economy.

Second, although aggregate benefits from trade are positive, localized costs can, in the absence of relevant adjustment policies, negatively affect certain women depending

on their roles in the economy, their skills, the sectors they work in, and their geographical region. Because women hold a disproportionate share of lower-skill jobs, they can be particularly vulnerable to trade-related shocks that directly expose female-dominated industries to foreign competition or layoffs resulting from the introduction of new technologies. Women agricultural workers are especially vulnerable to imports because women are more likely to be engaged in less-productive, subsistence farming.

Third, women still face a wide range of barriers that prevent them from gaining from greater trade opportunities. These challenges range from policy and legal obstacles and gender-biased sociocultural norms to higher tariff and nontariff barriers and lack of access to technology, finance, and education.

These challenges are magnified by a lack of sex-disaggregated data. Given the complexity and specificity of the relationship between trade and gender, sex-disaggregated data are necessary to assess how different policies and obstacles affect women and men differently. Although more work and resources are needed to improve data availability for analysis, improved data collection around trade and gender can help policy makers to develop and implement transparent and effective targeted responses and policies.

Maximize women's gains from trade through policies that increase women's market access

Trade policy itself is a critical determinant in lowering the trade costs faced by women and improving women's access to international markets. Discriminatory trade policies that make women-dominated industries less competitive and productive than their male counterparts are widespread. Women's market access can be increased by addressing tariff and nontariff measures that hurt women traders and consumers, improving trade

facilitation that enables women to trade as safely and easily as men, and expanding access to trade finance that empowers women to connect with international markets.

Lower tariff and nontariff barriers

Although most applied tariffs are relatively low, particularly in high-income countries, tariffs remain high on some products that governments consider to be sensitive. Female workers, particularly in developing economies, are affected by stubbornly high tariffs on agricultural goods. Similarly, tariffs on textiles, which are subject to higher tariffs than similar manufactured goods, strike a double blow against women as both the biggest consumers and the most frequent workers in the sector (Taylor and Dar 2015). A study on India shows that products produced largely by women face on average 6-percentage-point higher tariffs than products produced largely by men in export markets (Mendoza, Nayyar, and Piermartini 2018).

Similarly, discriminatory and nontransparent nontariff measures hurt women traders. Nontariff measures raise the compliance costs associated with procedures, regulations, and standards, which can be particularly burdensome for small enterprises with little experience in trade—as is the case for many women-owned firms. Eliminating the gender-related tariff differentials (for the same products) or reducing or removing altogether the relevant applied tariffs would help women business owners to access more and bigger markets.

Reduce barriers to services trade

Trade costs in services are almost double those in goods, and a large share of these costs results from policy barriers (WTO 2019). Having more open services for trade therefore offers a potentially large scope of gains for an economy in general and women in particular. A lack of competition in services decreases the productivity of services firms and increases operating costs of all firms in the economy.

Services play a key role as production inputs for farmers, manufacturing firms, and other services firms. When services such as transport, finance, and energy are protected from competition, the productivity growth (and thus income) of an entire economy can be negatively affected. This negative effect has serious consequences for women, because services employ more women than manufacturing and because efficient services help address some of the constraints that women face. More efficient and less costly transport services and financial services, for example, help increase women's mobility while decreasing financial constraints.

Enhance cross-border trade through trade facilitation and trade finance

Women engaged in moving goods across borders face a number of challenges, including time and skill constraints, burdensome customs requirements, limited access to trade finance, and higher exposure to extortion and physical harassment. These challenges are particularly pronounced for small-scale women traders in developing and least-developed economies.

The design and implementation of effective trade facilitation measures hinges on identifying the specific challenges and barriers faced by cross-border traders, including women. The adoption and implementation of domestic policies in compliance with commitments established under the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) can be a catalyst for women traders by creating predictable and efficient customs processes, reducing clearance times and trade costs, reducing the opportunity for fraudulent practices at the border, and increasing the involvement of women in trade facilitation decision mechanisms.²

Limited access to trade finance, in particular short-term credit, is a global problem that affects women disproportionately and can limit opportunities for women traders. Improving women's access to trade finance can contribute to empowering women-owned and managed firms.

Increase women's capacity to engage in international trade

The extent to which women can take advantage of trade opportunities depends on more than trade policies. Investments in education, health systems, and infrastructure can provide women with the human capital they require to benefit from trade, particularly as workers. Improving access to education, financial resources, digital technologies, and information can further reduce some of the constraints that disproportionately affect women. On a macro level, functioning capital and labor markets, macroeconomic stability, and effective governance—including the reduction of gender imbalances—are key to maximize the gains from trade.

For women to fully benefit from trade, changes in sociocultural attitudes are necessary. Trade policies cannot overcome discriminatory legal and sociocultural barriers that prevent women from opening a bank account, running their own businesses, working in certain sectors, or crossing borders. Such discriminatory legal and sociocultural barriers often raise the costs of formalization for women traders and female entrepreneurs, forcing them to earn a living through the informal sector. Informality reduces job security and access to resources, including training and financial support.

Ensure that vulnerable women are not left behind

As governments elaborate trade policy, it is important to ensure that certain vulnerable segments of women are not left behind. Benefitting from economic progress involves adjusting to economic change and so does gaining from trade. Greater trade and technological innovation can cause disruption in some sectors as economic activity shifts to more productive areas where a country has a comparative advantage. Women can be particularly vulnerable to this type of disruption because

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four out of five women globally work in low- to medium-skill jobs that could be more exposed to the risk of automation.

Well-targeted and adequately financed trade adjustment assistance through a mix of labor, competitiveness, and compensation policies can help workers manage the cost of adjusting to trade, while making sure that the economy captures as much as possible the benefits from these changes (Bacchetta, Milet, and Monteiro 2019; WTO 2017). Beyond improving economic efficiency, adjustment policy offers a way to compensate those who lose out from the dislocation or to maintain political support for innovation and trade openness.

Collective efforts to promote trade and gender equality

Over time, governments, international organizations, and some private sector companies have increasingly incorporated a gender-trade perspective into their activities. This practice has been spurred in part by pressure from civil society—particularly from women’s organizations, which have been active in raising their concerns related to gender and trade at the national, regional, and international levels.

Several governments have adopted more gender-responsive policies. In preparation for

trade negotiations, some national, regional, and local governments use a gender impact assessment system to determine whether any new law, policy, or program is likely to have an impact on the state of equality between women and men. Some countries have used trade-related international cooperation to address gender discrimination. Several countries have adopted nonreciprocal preferential trading schemes that impose lower tariffs on imports from certain developing and least-developed economies of a broad range of products, including goods produced, exported, and consumed predominantly by women, such as clothing. Some of these schemes provide for the withdrawal of tariff reduction in case of violations of international conventions, some of which address women's conditions.

In parallel, a limited but increasing number of preferential trade agreements (PTAs)—namely 80 agreements, of which 69 are notified to the WTO and in force—refer explicitly to women and gender-related issues (Monteiro 2018). Like most other types of provisions in PTAs, gender-related provisions vary greatly in terms of structure, location, language, and scope. The most common type of gender-related provisions found in PTAs promote cooperation on specific gender-related issues, such as labor discrimination. Despite increased explicit references to gender in PTAs, more effort is needed to gauge the effectiveness of these provisions in advancing women's economic empowerment.

Women's economic empowerment cannot be fully materialized, however, without the engagement of the private sector. Some companies, in particular some retailers, brands, and suppliers, have adopted voluntary gender-related initiatives that promote women's access to training for skills development, health services, maternity benefits, education, leadership, and financial management. Some companies have also established lists of potential certified women-owned business suppliers with a view to diversifying their suppliers base (Scott 2017). Some of these private-led initiatives are part of government partnerships or international initiatives.

Both the World Bank and WTO, through their different functions and activities, play a role in promoting trade as a tool for greater gender equality. Going forward, governments, business, and international organizations can collectively advance a gender-inclusive trade agenda. In particular, international institutions can support trade and gender equality through the maintenance and strengthening of open, rules-based, and transparent trade. Ongoing WTO negotiations and joint initiatives related to services, agriculture, electronic commerce, and micro, small, and medium enterprises could further empower women in the world economy. In addition, impact evaluations of international assistance, including Aid for Trade with a gender component, can provide feedback on the kinds of interventions that are most effective in promoting gender equality in trade. Further analysis and technical assistance should continue to take advantage of increasing access to sex-disaggregated data to identify priority sectors, skills, and markets in which women have a comparative advantage.

Notes

- 1 As part of this project, the World Bank has created a Gender Disaggregated Labor Database (GDLD) that has been used to produce some of the evidence presented in this report. The dataset is available at <http://datatopics.worldbank.org/gdld/>.
- 2 The TFA, which entered into effect in 2017, aims to promote trade facilitation through improved transparency, simplified and automated procedures, coordinated border management, and consultative mechanisms (WTO 2015).

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