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Unlocking Growth
through Trade

Empowering women through trade

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Insights

- Today, women-owned and women-led businesses are significantly underrepresented in international trade. Although about one-third of the world's small and medium-sized enterprises (SMEs) are women-owned, globally, only about 15 percent of exporting SMEs are led by women.
- The economic and societal benefits of women's participation in international trade are clear and numerous.
- Restrictive trade measures limit a country's services exports. This can hamper the potential of businesses, particularly small businesses, to connect to global markets in a digital age.
- The World Trade Organization (WTO) must promote open digital trade policies in order to empower more women-owned businesses, enable stronger growth, and spur global economic recovery.

On March 1, 2021, Dr. Ngozi Okonjo-Iweala assumed the position of Director General of the World Trade Organization (WTO). A former finance minister, renowned economist and prominent international development expert, Dr. Okonjo-Iweala has spent her career working to increase the effectiveness of international responses to crises, particularly for low-income countries. This experience will come in handy, given the challenges confronting the international trade body. Dr. Okonjo-Iweala has communicated that her key priority is, to quickly address the economic and health consequences brought on by the global COVID-19 pandemic. Measures taken today to address the crisis can have long-lasting consequences. In this paper, we urge the Director General to, in constructing her response to the pandemic, make sure that the needs of women are taken into account. As women have been disproportionately affected economically by the crisis, it is even more important for the WTO to put women first.

Today, women-owned and women-led businesses are significantly underrepresented in international trade. Although about one-third of the world's small and medium-sized enterprises (SMEs) are women-owned, globally, only about 15 percent of exporting SMEs are led by women (International Trade Centre [ITC], 2017). The WTO must do more to correct this inequity.

Admittedly, some recent initiatives have tried to make international trade more inclusive. In 2017, for instance, 118 countries endorsed the WTO Joint Declaration on Trade and Women's Economic Empowerment (also called the Buenos Aires Declaration), committing to tackling trade barriers that affect women, including the role of trade facilitation in providing equal access and opportunities for women entrepreneurs. In more encouraging news, since 2017, nine more countries have signed on to the declaration, bringing the total to 127 (WTO, 2020). Additionally, in 2017, Canada and Chile signed the first free trade agreement with a chapter on gender and trade. Then in summer 2020, the World Bank and the WTO published a joint study on the role of trade in promoting gender equity (World Bank and WTO, 2020). So, some progress is happening, but it's moving too slowly. With Dr. Okonjo-Iweala at the helm of the WTO, now is the time to accelerate and expand women's access to international trade opportunities.

Why do we care whether women trade?

The economic and societal benefits of women's participation in international trade are clear. Evidence shows that jobs in export sectors tend, on average, to pay higher wages and be more stable (Artuc et al., 2019; Carluccio, 2015, for example). Another area of research shows that improving women's work outcomes has strong returns for societies (see OECD, 2010, and Bloom et al., 2017). Investment in opportunities for women has multiplier effects, as women tend to invest a higher portion of their earnings in their families and communities. Research from the International Monetary Fund shows that boosting women's labor market participation to the same level as men's would raise GDP between 5 and 34 percent (Elborgh-Woytek et al., 2013). Taken together, these studies demonstrate that helping women also helps economies (World Economic Forum, 2020).

Moreover, women entrepreneurs are more likely to employ other women, thereby distributing the benefits of their empowerment. Encouraging women-led exporters is a good policy decision (ITC, 2017).

Yet women are still not trading on par with their male counterparts. Why? Some possible reasons:

Access to capital. In 2014, a study from the World Bank showed that women-owned SMEs had unmet financial needs of between $260 billion and $320 billion per year (World Bank, 2014). And still today, in many countries, women often have less collateral and less access to bank accounts. Even among women who do have access to financial instruments, research suggests that capital providers are less likely to lend to women than to men.

Unequal legal frameworks. The World Bank's Women, Business and the Law study finds that discriminatory laws continue to threaten women's economic security, career growth, and work-life balance. In 2020, there were still 115 countries where women were not able to run a business in the same way as men. Many countries still require, for example, a father's or husband's authorization for women to open a bank account or register a business.

Informality. Female entrepreneurs account for only one-third of all businesses in the formal sector, globally. But many female entrepreneurs actually work in the informal sector. This comes at a cost both to the women and to the countries in which they are operating.

Burdensome procedures. SMEs tend to be disproportionately affected by trade costs (ITC 2015 and WTO, 2014), and female-owned firms tend to be smaller than male-owned firms. Women traders, therefore, often face higher export costs, such as delays in processing export permits, lack of access to trade finance, and exclusion from distribution networks, leading to higher prices for their goods. This is compounded by a lack of knowledge: World Bank (2020) research shows that low levels of literacy and lack of information on cross-border trade regulations and procedures are much more common among female traders.

Various international organizations, private companies, and NGOs have committed to help facilitate access to capital; encourage reform of gender-biased laws and regulations; and reduce barriers to trade, including through the WTO's trade facilitation agenda. The World Bank's Women Entrepreneurs Finance Initiative aims to address financial and non-financial constraints faced by women-owned and women-led SMEs. Other programs, such as the ITC's SheTrades initiative, which aims to connect 3 million women entrepreneurs to global markets by 2021, are directly focused on helping women-led businesses to export. Such support is even more important in the wake of the COVID-19 pandemic, in which women are disproportionately negatively affected economically. And Visa's pledge to digitally enable 50 million small businesses stands alongside numerous initiatives from the private sector.

What's the role for the WTO?

As the world's foremost trade body, the WTO is uniquely positioned to pursue global trade rules that counter existing market failures and unlock the potential of women in trade. As pointed out in VEEI's paper Trade Agreements to Move the Digital Economy, the COVID-19 pandemic is fueling rapid growth in digital services (see, for example, OECD, 2020). Now, it is critical that we create inclusive digital transformations. By using technology to bring new markets and new customers into reach, we can empower more women-owned businesses, enable stronger growth, and spur global economic recovery.

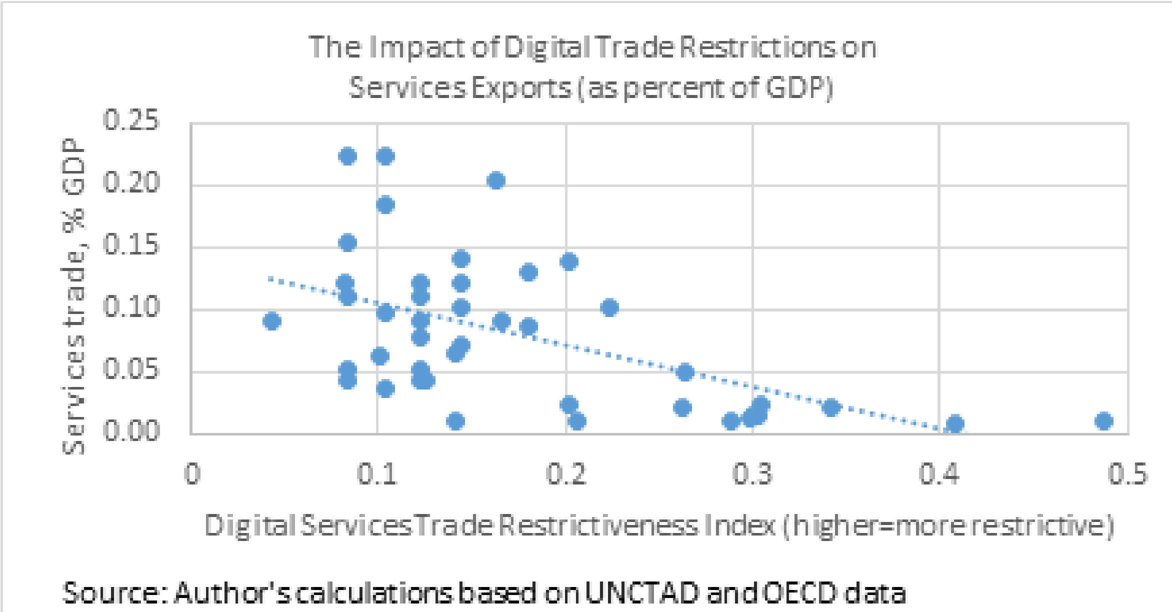
With that in mind, we hope that Dr. Okonjo-Iweala will take two important steps as Director-general:

Call for a standstill in digital trade restrictions. OECD data show an increase in services restrictions, at a time when services trade is more important than ever before (OECD, 2020a). This is bad for businesses and bad for the global economy. It will also prevent initiatives that are working to help women export their goods and services more effectively.

Encourage member states to keep working on an international framework that encourages digital trade. In 2020, 76 WTO members announced their "intention to begin electronic commerce negotiations at the WTO… based on existing WTO agreements and frameworks." While the prospect of a multilateral agreement on digital trade may seem far off, Dr. Okonjo-Iweala can encourage bilateral and/or plurilateral/regional pacts as ways to keep evolving digital trade. The WTO can use its platform to inform members on the opportunity costs of digital protectionism and its impact on vulnerable groups such as women and small businesses, and to share best practices in this realm.

What about the evidence?

As the figure below shows, countries with fewer digital trade restrictions see greater services exports, a proxy for digital trade. The OECD's Digital Services Trade Restrictiveness Index (DSTRI) quantifies barriers that affect trade in digitally enabled services. The index includes restrictions in infrastructure and connectivity, electronic transactions, digital payments, intellectual property rights, and other related barriers.



Description: Scatter plot showing that ountries with fewer digital trade restrictions see greater services exports, a proxy for digital trade. The index includes restrictions in infrastructure and connectivity, electronic transactions, digital payments, intellectual property rights, and other related barriers.

This figure shows a scatter plot of services trade as a percent of GDP and the score on the OECD's Digital Services Trade Restrictiveness Index. While this figure does not take into account all factors that may affect digital trade, it is clear that more restrictive policies limit a country's services exports. This can hamper the potential of businesses, particularly small businesses, to connect to global markets in a digital age.

Last year's World Development Report (2020) underscores the large negative consequences that restrictions on data flows have on the productivity of local companies and especially on trade in services. The report estimates that reducing data restrictions on trade in services would earn countries an average of about 5 percent in productivity.

Such restrictions can have a disproportionate, and damaging, impact on developing countries. As the World Bank points out, such regulations especially affect the most dynamic exports of developing countries, including digitally delivered data processing and data-related business services such as financial accounting, tax preparation services and health-related services such as transcriptions and diagnostics, which have contributed to the more than $50 billion in developing country exports to the European Union in 2015 (World Bank, 2020). Director-General Okonjo-Iweala can prioritize the empowerment of women traders by working toward an inclusive and open digital trade system.

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About the Visa Economic Empowerment Institute

The VEEI is a non-partisan center of excellence for research and public-private dialogue established by Visa.

The VEEI’s overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established the VEEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

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