

Fact Sheet



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Gender Implications of the European Union - ASEAN Free Trade Agreement

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November 2007

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WIDE gratefully acknowledges the financial assistance of the European Commission, DG Trade for producing this publication. The view expressed in this publication is the view of the author and can therefore in no way be taken to reflect the official opinion of the European Commission.

List of abbreviations

ASEAN	Association of South East Asian Nations
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	gross domestic product
ILO	International Labour Organization
TNCs	transnational corporations
WTO	World Trade Organization

On 4 May 2007 in Brunei Darrusalam, the economic ministers of the Association of South East Asian Nations (ASEAN)¹ and the European Union (EU) Trade Commissioner formally announced the launch of negotiations for an EU-ASEAN Free Trade Agreement (FTA) and the creation of a joint committee to develop details of the modalities, a work programme and time schedule for the negotiations. The formal launch was prompted by the EU Council's approval in April 2007 of the negotiating mandate for the FTA.

Trade relations and investment flows between the EU and ASEAN

- ASEAN represents a market of more than 540 million consumers compared to 454 million within the EU.
- ASEAN and the EU have uneven levels of development, e.g. ASEAN gross domestic product (GDP) is equivalent to only 6.5% of EU GDP; the EU represents 18.4% and more than a quarter of world trade in goods and services respectively, against 7.7% and 6% for ASEAN, respectively.
- In 2005, South-East Asia became the EU's 6th largest trading partner, supplying the EU with exports consisting mainly of textiles and apparel, machinery and electrical appliances, as well as palm and coconut fats and oils. The EU on the other hand supplies ASEAN with high-tech industrial products such as turbojets and other automotive vehicles, machinery and electrical appliances, pharmaceutical products, perfumery and cosmetics, optical precision instruments, and iron and steel products.
- The EU is ASEAN's third largest trading partner, next to the USA and Japan. In 2005 it accounted for 12.5% (US\$ 81 billion) of total exports from ASEAN and 10.3% (US\$60 billion) of total imports to ASEAN.
- In 2002-2006 EU25 was the leading source of foreign direct investment (FDI) inflows to ASEAN representing 26.3% (US\$ 45 billion) of total FDI flows to the region.
- Singapore, being a regional hub for investment into and within ASEAN, receives almost half (47%) of the EU FDI flows, followed by Indonesia, Malaysia and Thailand.
- EU investment is mainly directed at financial services (including insurance) that make up 44% of investment, manufacturing at 19%, and trade/commerce at 14% of all EU inflows into the region during the period 1999-2001.
- European transnational corporations (TNCs) that have a significant presence in the region include Unilever, Siemens, Alcatel, Nestlé, Philips, DaimlerChrysler, Shell, Thyssen, L'Oréal, and STMicroelectronics. More than half (55%) of their products are sold in the domestic market of the host country while a third goes to other ASEAN and Asian countries.
- European TNCs take the lead over their American and Japanese competitors. For example, Royal Dutch Shell tops all players in the downstream petroleum industry while Nestlé and Unilever are leaders in food processing.

¹ ASEAN includes seven developing country members (Indonesia, Thailand, Malaysia, Philippines, Brunei Darussalam, Singapore, and Vietnam) and three least developed country members (Laos PDR, Cambodia, and Myanmar). Among the ASEAN 7, Singapore is considered to have the most advanced economy. The EU would prefer to negotiate the FTA with only the ASEAN 7.

Main negotiation areas of the EU-ASEAN FTA

Based on the negotiating mandate approved by the EU Council in April 2007 and the recommendations of the EU-ASEAN Vision Group, the core content and scope of the negotiations are as follows:²

- **Trade in goods:** Full elimination of tariffs for 90% of trade and tariff lines within seven years of the agreement's entry into force; other products would be subject to either partial liberalisation or full elimination within a longer timeframe.
- **Trade in services:** Substantial sectoral coverage which goes beyond the level of existing commitments in the World Trade Organization (WTO) and provides for the absence or elimination of substantially all discrimination.
- **Investment:** Liberalise and facilitate investment and create an open and non-discriminatory climate for establishment, including allowing the transfer of funds for foreign investment.
- **Elimination of Non-Tariff Barriers and Trade Facilitation:** This includes reducing transaction costs in customs, harmonising standards on technical regulations, conformity assessment procedures, and sanitary and phytosanitary measures.
- Transparency in **government procurement**, as well as possible improvements in market access opportunities on a plurilateral or voluntary basis; adequate and effective protection and enforcement of **intellectual property rights**; effective mechanism for co-operation on minimum standards and principles regarding **competition policy**.
- **Technical assistance and capacity building:** To facilitate negotiations and the implementation of the agreement and ensure that all partners can fully benefit from the agreement, and support and strengthen the process of ASEAN integration and towards this end, strengthen the Trans-Regional EU-ASEAN Trade Initiative (TREATI).³

To summarise, the proposed EU-ASEAN FTA is more ambitious than the WTO in terms of liberalisation targets and scope. It includes areas such as investment, competition policy, trade facilitation and government procurement (otherwise known as the Singapore issues)

² For the moment the EU-ASEAN Joint Committee has not yet released the draft negotiating text including the modalities, its work programme and timeline for negotiations. Originally, the target schedule for concluding the negotiations was two years. This target timeline was however dampened by ASEAN's recent pronouncement that it will first conclude its FTA negotiations with neighbouring countries like China, Japan, Korea, Australia and New Zealand before it buckles down to start negotiations with the EU.

³ Prior to the launch of the FTA negotiations, a trade enhancement agreement called the Trans-Regional EU-ASEAN Trade Initiative (TREATI) was put in place in 2004. It provided a roadmap and a work-plan for greater transparency, dialogue and regulatory cooperation between the two regions on various areas such as trade facilitation, market access and investment towards expanding trade and investment flows. The TREATI also serves as the cooperation framework for supporting ASEAN's regional integration initiatives and its vision of an ASEAN Economic Community in 2015.

which the EU tried to include in the WTO ministerial talks in Cancun in 2003 but failed to gain the support of many developing countries.

EU corporate interests in the FTA with ASEAN

Making European corporations globally competitive is the rationale behind the EU's push for bilateral or bi-regional FTAs with its trading partners worldwide while it hopes for a speedy conclusion of the WTO Doha Round. With ASEAN the EU is in a race with its competitors in the region, such as Japan, the USA and Australia which have already initiated negotiations with ASEAN and/or individual ASEAN countries for bilateral FTAs.

Of specific interest to the EU is the liberalisation of trade in services and investment, owing to its large advantage in the field of knowledge-based services (e.g. financial services, business services, and computer services). Since services unlike goods are not tradable, trade in services largely pertains to the establishment of investment ventures in services. Liberalising services and investment means:

- The removal of domestic regulations or laws favouring the nationals of a country over foreign investors and service suppliers (national treatment).
- The lifting of FDI restrictions on performance standards such as local content requirements, trade and foreign exchange balancing requirements, export controls and restrictions on the repatriation of dividends and ceilings on foreign equity holding – these performance standards are normally used by countries as a policy tool to make FDI serve certain national development goals or to ensure that it makes a net positive contribution to development.
- The removal of controls for volatile capital flows which would restrict the country's ability to protect the economy from the devastating impacts of recurring financial instability and to pursue developmental monetary policy.

Apart from financial services, the EU is keenly eyeing energy, water and environmental service utilities as potential investment opportunities in the event that the FTA opens up these public sectors for foreign competition.

On trade in goods, the EU enjoys a comparative advantage in high-tech industrial products such as chemicals (including pharmaceutical and cosmetic products), vehicles, and base metal and metal articles. Except for a few industrial tariff peaks that some ASEAN countries have (e.g. automobiles in Malaysia and electronics in the Philippines) and the EU's protective tariffs on some of its sensitive agricultural products such as dairy, cereals, sugar and fishery products, most of the traded goods between the two regions have reached relatively low tariffs. It is therefore not surprising that one of the EU's priority interests in the FTA is the elimination of non-tariff barriers and trade facilitation.

Gender implications of the EU-ASEAN FTA

Gender statistics in ASEAN show that:

- Female labour force participation in the ASEAN increased significantly since the 1970s, ranging between 40-70% which was largely brought about by the growth in garment and electronic exports manufacturing. Capitalists prefer hiring young female workers in these labour-intensive industries because female labour is docile and cheaper.
- Female wages are only 60-70% of male wages in most Asian countries.
- The “Asian miracle” was founded on gendered wage inequality and on a particular gender ideology in East Asia that glorifies subservience and sacrifice as female virtues (Truong 2000 in Young 2003).
- In general, the participation rate of females in the labour force is usually lower by half to two-thirds than that of males.⁴
- In the services sector, women’s employment rate is higher than that of men although managerial and top positions are still male-dominated.

The threat of deindustrialisation in ASEAN and the impact on women workers

A quantitative impact study commissioned by the EU⁵ predicted large gains from the FTA amounting to more than 2% of the GDP in 2020, but also expected that production will decline in ASEAN especially in manufacturing while huge gains are expected in the services sector. The threat of deindustrialisation in ASEAN is not just a remote possibility but a real threat in a situation where protective tariffs for industries are eliminated and where governments have lost policy space and the regulatory instruments for redirecting foreign investments to serve certain development goals or priorities.

The declining trend for example in the garment and electronics industry, where women make up 90% of the total workforce, has led to job losses, the deterioration of wages and labour conditions, and job insecurity arising from labour contractualisation and informalisation. According to a qualitative impact study commissioned by the EU on the prospects of an FTA with ASEAN⁶, the relative comparative advantage of ASEAN over the EU in textiles and apparel has actually been declining in the last ten years.⁷

Economic downturns generally have a particularly negative impact on women. Although unemployment may hit both men and women workers, the degree of labour casualisation and informalisation affects more women than men. During the Asian crisis for example, unemployment

⁴ UNFPA 2005 in ASEAN’s 3rd Report on the Advancement of Women, ASEAN Secretariat, 2007.

⁵ CEPII-CIREM, “Economic Impact of a Potential Free Trade agreement between the European Union and ASEAN. Final Report 2006-05-03.” 2006. Trade Specific Contract No.S12.424.310 implementing Framework Contract No. Trade/05/HE/01/1c. Commission of the European Union. Directorate General for Trade.

⁶ Asia-Europe Centre (University of Limerick) and Institut Français des Relations Internationales, “A Qualitative Analysis of a Potential Free Trade Agreement between the EU and ASEAN. A Report prepared for the European Commission and the EU-ASEAN Vision Group,” 2006. Contract Number SI2.421512.

⁷ The reason for the overall decline in these sectors is that manufacturing in developing countries has barely diversified beyond garments and electronics, with almost everybody producing the same thing at the same time for the same market. Hence the total production of manufactured goods in the third world increased and expanded without a parallel increase in value (Bernardino 2003).

in the Philippines affected more men but women's average wages fell more than men's. Lim (2000) asserts that *"at a time when women were forced to shoulder greater domestic care duties, their working hours as wage earners also increased relative to men. One central coping strategy during the crisis was to increase the working hours of women, leading to more 'idleness' for men due to unemployment, underemployment and shorter working hours."*⁸

Liberalisation of the public services sector and its impact on women's social reproductive work

The liberalisation of investment in the services sector is the EU's main interest in the FTA with ASEAN. European corporations are targeting key public service sectors such as energy, water and environmental services as promising investment ventures. Opening up public sector goods and services to private and foreign investors has in many cases led to increased prices and the imposition of "user fees". Women who perform most of the social reproductive tasks of providing health, education, and other care work in the household have to shoulder the burden of the increased costs of these services.

The privatisation for example in the Philippines of water and electric power generation and distribution utilities has led to a ten-fold increase in the water and electricity bills of ordinary households. Giving foreign investors equal treatment with local private firms in these basic service sectors could further erode the government's main responsibility of ensuring the delivery of these public goods to the citizens.

Mode 4 of services liberalisation, women migrants' rights and the "care drain"

Indonesia and the Philippines are two countries in the ASEAN with a large proportion of overseas migrant workers in the EU. An increasing majority are women migrants working as domestic workers (from the Philippines and Indonesia) and as nurses and caregivers (from the Philippines).

Mode 4 of services liberalisation involves the temporary movement of natural persons providing services in a receiving country. However, the current Mode 4 disciplines under the WTO General Agreement on Trade-related Services (GATS) and in other existing bilateral FTAs have all been about facilitating the movement of foreign expatriates, professionals and highly-skilled technical staff of foreign companies or their affiliate service suppliers that have established subsidiaries or branches in the respective country. Domestic workers are not included in the occupational categories eligible for Mode 4 services liberalisation. Health professionals such as nurses and caregivers on the other hand are still subject to strict border controls and tough recognition requirements. In the UK, for example, Filipino nurses are required to pass the British licensure and board examinations before they are recognised and can work as nurses.

The migration of women health professionals and domestic workers has contributed to what is termed as the phenomenon of **"care drain or deficit"** manifested in various ways:

⁸ Young, Bridgitte, 2003, "Financial Crises and Social Reproduction: Asia, Argentina and Brazil" in Bakker, I and Gill, S. eds., *Power, Production and Social Reproduction*. New York: Palgrave Macmillan.

- The exodus of nurses and caregivers from the Philippines, as a case in point, has contributed to the shortage of health professionals in hospitals and community clinics in the country. This prompted the World Health Organization to declare that the Philippines might soon experience a health systems crisis if the trend is not halted.
- Care drain is also experienced at the level of the household of migrant women workers whose absence often affects the quality of care provisioning in the family especially in the case of mothers. To compensate for the absence of the mother, the responsibility of care work in the household is usually passed on to the girl child, the grandmother or closest female relative, or to a hired female domestic worker.
- At the level of the female migrant worker herself, a care deficit likewise occurs as she is often subject to abusive treatment and inhumane working conditions by her employer, not to mention the psychological and emotional pressures of having to leave her family and adjust to a different cultural environment. Documented cases of racial and sexual abuse are not few.

The EU's protectionism in agriculture and its implications for farm livelihoods and food security in ASEAN

The EU is notorious for its protectionist policies in agriculture. These include:

- The huge subsidies it gives to European agricultural producers and exporters have been largely responsible for a distorted world trading regime where EU agricultural exports sell at prices below their production costs. Since the issue of agricultural subsidies can only be addressed in the multilateral trading system and not in bilateral FTAs, the reciprocal elimination of agricultural tariffs in the EU-ASEAN FTA could only bear greater benefits for EU producers and exporters compared to their ASEAN counterparts.
- The EU has consistently maintained a list of sensitive agricultural and fishery products exempted from tariff reduction and elimination.
- Another major obstacle to ASEAN exports to the EU consists of non-tariff barriers such as sanitary and phytosanitary standards, technical testing procedures and environmental regulations. Although the EU-ASEAN FTA provides for the elimination of non-tariff barriers, ASEAN countries however will still have to meet these standards through a harmonised system in accordance with the WTO sanitary and phytosanitary standards agreement and other associated provisions in international organisations. In return, the EU commits to providing cooperation and technical assistance to ASEAN countries to build their capacity to comply with such harmonised standards. Experience has shown however that only a few large agricultural exporters in developing countries, usually TNCs, are capable of compliance with harmonised standards. Small producers, given their level of resources and technology, are therefore left out of the competition.

In sum, the EU's protectionist measures in agriculture create unfair competition for ASEAN agricultural products both in the domestic and EU markets. Import dumping due to the EU's large agricultural subsidies has resulted in the loss of farm livelihoods for men and women in developing

countries and increased threats to food security both at the national and household level. Food security is particularly important for women's social reproductive role of making sure that there is food on the table for the family.

Conclusion and recommendations

The EU-ASEAN FTA, as mentioned above, will have serious implications on ASEAN women's productive and social reproductive work, affecting both their paid work in the formal and informal sectors of the economy and their unpaid work in the household and community. The following include some of the identified problems and recommended policy options for both the EU and ASEAN governments to consider:

- The predicted decline of key manufacturing sectors such as in the apparel industry where women workers are a majority could lead to job losses, deteriorating wages and working conditions, and increased labour contractualisation. While social safety nets have been the usual recourse to soften the impact of dislocation, these measures should be coupled by a more prudent and targeted liberalisation policy or scheme that takes into account the vulnerabilities of certain sectors, especially in terms of possible job losses for men and women. A targeted liberalisation scheme should also consider the importance of retaining FDI policy instruments and domestic regulations that are vital for national development.
- Women's double burden is compounded by the privatisation of essential public services that are important for their social reproductive work. Energy, water and other basic utilities that the EU is targeting for private investment by European corporations are crucial public goods that should not be subject to the vagaries of the market nor to the profit-making motives of private capital.
- Women migrant workers' rights should always be protected and should be taken into consideration under Mode 4 of services liberalisation. Developed countries like the EU should initiate measures that will compensate for the effect of "care drain" in sending countries. These could include cooperation and financial assistance for public hospitals and other health care services, medical school scholarships and other similar forms of assistance in exchange for every migrant health professional sent to their country.
- The EU's protectionist policies in agriculture should be dismantled to protect the livelihoods of small farmers in developing countries and to ensure food security for all. Unilateral moves by the EU to substantially cut and eliminate its trade-distorting subsidies can be considered without waiting for the conclusion of talks in the WTO. While the EU's cooperation and technical assistance for ASEAN's harmonisation of standards is a positive step, the EU should couple this with specific mechanisms ensuring that priority is given to small farmer producers.
- The chapter on trade and sustainable development that is contained in the EU's bilateral FTAs is a welcome move because it has provisions for promoting adherence to agreed standards in the social and environmental domain, including International Labour

Organization (ILO) core labour standards. This chapter, moreover, could further be expanded and substantiated in order to incorporate gender concerns as an integral element in every aspect of the agreement. While such social clauses may be positive steps, utmost caution should however be taken to avoid the exclusionary and prohibitive implications of imposing these standards. ASEAN countries should be assisted by the EU in building the capacity, especially of small and medium enterprises, to abide by these standards.

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