

Fact Sheet

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Gender Implications of the European Union - Central American Association Agreement

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List of abbreviations

AA	Association Agreement
CA	Central America
CAFTA	Central America Free Trade Agreement
DR	Dominican Republic
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	gross domestic product
IP	Intellectual property
SIA	Sustainability Impact Assessment
TNCs	transnational corporations
WTO	World Trade Organization

Since the European Union–Central America Guadalajara Summit in May 2004, the two regions have been working towards negotiations on an Association Agreement (AA) that will contain elements of political dialogue and cooperation as well as a free trade agreement. Many commentators have claimed that the free trade agreement element of the AA is in fact clearly dominant, while the political dialogue and cooperation aspects are little more than rhetoric.

Economic relations between the European Union and Central America

- The European Union (EU) is the second most important trade partner for Central America (CA)¹ after the United States, worth 9.829 million euro (12.3%) in 2006.
- The Central American market constituted just 0.42% (4,847 million euro) of EU total exports in 2006. EU imports from the Central American region make up 0.37% (5,064 million euro) of total EU imports.
- In general there are low levels of EU foreign direct investment (FDI) in the region; Costa Rica and Panama are the two countries attracting the most FDI.
- EU imports from CA consist mainly of agricultural products (47%), office/telecommunication equipment (35.4%) and transport equipment (10.9%), all in 2006.
- Exports to the Central American region include transport equipment (33.3%), chemicals (15.8%), office/telecommunication equipment (12.7%) and power/non-electrical machinery (10.0%), all in 2006.
- CA's trade with the EU is highly concentrated in a few countries: Costa Rica accounted for over 64% of EU imports from the region in 2005. EU exports to the region seem to be less focused on a specific country; however, Costa Rica and Panama together accounted for 55% of EU exports in 2005.
- The 2007-2013 EU aid programme for CA totals 840 million euro.

Characteristics of the EU-CA Association Agreement

- A fundamental precedent to the EU-CA AA is the Dominican Republic–Central America Free Trade Agreement (DR-CAFTA) with the USA which was ratified by all Central American countries, except for Costa Rica, in 2005. The ratification of DR-CAFTA became a very controversial issue in Costa Rica and a public referendum was held in October 2007 which narrowly approved the ratification. A key question is to what extent these two regional trade agreements are similar in process, impact and aims.
- The AA draft mandate states that the negotiations will take place between regions, in this case the EU and CA, and therefore excludes the possibility of negotiations with individual countries.
- The EU-Latin America Summit in Vienna in May 2006 established regional economic integration in CA, and specifically a customs union, as pre-requisites for the implementation of the AA.

¹ The following countries make up Central America: Costa Rica, Guatemala, El Salvador, Honduras, Panama, and Nicaragua.

- Neither of these conditions has so far been fulfilled. Given the aim of completing negotiations in two years, there are serious doubts regarding whether the complex process of regional economic integration can be effectively realised in such a short time-frame.

Timeline

- April 2007 – EU negotiating mandate finalised.
- End of October 2007 – Negotiations on the AA due to be officially launched with the first round of negotiations to be held in Costa Rica. The aim is to complete negotiations within a period of two years.
- October 2007 – Tender for the Sustainability Impact Assessment (SIA) published.
- Until (at least) January 2008 – Selection and contracting for SIA.
- 2008 – EU-Latin America summit in Peru.
- Mid 2009 – SIA due to be completed.

The SIA process has been subject to serious delays and it is now not likely to begin until after the negotiations are launched. It is feared that this shows a lack of political will for the SIA findings to be properly taken into account during the negotiations.

Main negotiation areas of the EU-CA AA

The EU's final negotiating mandate for the AA with CA has not been made public but it is possible to envisage that the priority areas for the EU will be:

- **Trade in goods:** The EU will negotiate a transition period for lowering tariffs that cannot pass 10 years. Under DR-CAFTA some transition periods for sensitive agricultural products are longer (15-20 years). Given that these sensitive products have already been identified the transition periods under the AA should at least be equal to those under DR-CAFTA and not undermine hard-won flexibilities for sensitive sectors.
- **Progressive tariff reduction:** Progressive tariff reduction within transition periods undermines the right of countries to raise as well as lower tariffs within their bound limits which can be essential for coping with unpredictable impacts and changing circumstances.
- **Progressive and reciprocal liberalisation:** The EU will negotiate for progressive and reciprocal liberalisation, by means of an ambitious, comprehensive, balanced free trade area.
- **Market access in investment and services:** The EC tends to target "essential network services" including financial services, distribution, transport, telecommunications, etc. These have significant implications for the domestic private sector either directly through increased competition or indirectly by affecting their access to essential business services.

- **Capital account liberalisation:** This could have significant implications for financial stability, and would facilitate profit and capital repatriation by foreign investors.
- **Government procurement:** The EU's competitiveness strategy "Global Europe: Competing in the World" clearly shows that one of the EU's major commercial interests is in liberalising government procurement. A key example is construction services where over 90% of business opportunities exist in developing countries but where four of the main firms dominating the global market are European.
- **Intellectual property (IP):** The focus on the enforcement of IP legislation is a particular concern as promoting enforcement means asking developing countries to make commitments to monitor and enforce IP legislation (e.g. by training monitors, bringing in new legislation, equipping courts to deal with changes etc.). Given the huge capacity and budget required, countries in CA would likely be forced to divert their priorities in order to enforce IP legislation, and this would have a direct impact on the countries' own development priorities.

In all of the above areas the EU appears to be taking an aggressive approach that goes beyond World Trade Organization (WTO) agreements 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) which the EU tried to include in the WTO ministerial talks in Cancun but failed to gain the support of many developing countries.

EU commercial interests in CA

- Liberalisation of **government procurement** and access to construction services where over 90% of business opportunities exist in developing countries but where four of the main firms dominating the global market are European.
- **Environmental services** (which has implications for water and sanitation provision) and energy sectors. There are already at least four European transnational companies operating in the electricity sector in CA.

Main points of critique from a Southern feminist perspective?

Given the current importance of the female workforce in CA it is perhaps surprising that there has so far been no sign of a gender perspective incorporated into the EU-CA AA in any way.

The SIAs carried out by the EU prior to and during trade negotiations have traditionally lacked clarity on the issue of gender and there is no indication that this will be different in the case of the EU-CA AA. Equally if the SIA is not carried out in advance of the negotiations and therefore cannot influence them, its findings are in any case likely to have little impact.

In terms of the participation of women in the negotiation process, there are also severe weaknesses. The participation of civil society has by no means been prioritised by the EU or Central American governments, and the participation that there has been so far has included very little activity by the women's movement.

Since the EU-CA AA negotiations depend also on the process of regional economic integration in CA, it is vital that the voices and concerns of women are fully reflected in this wider regional process, especially because most regional trade flow is carried out by small and medium sized businesses where women are over-represented at all levels of the supply chain.

By failing to take into account a gender perspective free trade agreements such as the EU-CA AA are perpetuating the creation of public policies by the region's governments that do not consider their differentiated impact on men and women, or include women's participation in their development or implementation.

According to the EU, the AA will not be simply a commercial treaty but also a political and cooperation agreement that aims to promote sustainable development and reduce poverty and inequality in CA, promote decent work, more equitable access to social services, as well as ensure an appropriate balance between economic, social and environmental components. However, given the clearly documented negative impacts that further trade liberalisation is likely to have on the region and particularly on groups that are already marginalised and disadvantaged, and the undemocratic nature of the process so far, it is difficult to see how any truly sustainable development can result from such an agreement.

Gender Implications of the EU-CA AA

It has often been remarked that the process of trade and market liberalisation in CA has depended in large part on the integration of women into the workforce. Unfortunately this does not necessarily mean that women benefit or that gender equity is furthered. Of the many thousands of women that have entered the labour market in recent years, the vast majority have taken up poorly paid, low-skilled jobs in export processing zone factories which are considered a key element of the globalised, open market but which provide little or no stability for employees and contribute virtually nothing to the national economy because of the factories' tax free status.

If, as is to be expected, the AA uses similar negotiation terms to those used to negotiate DR-CAFTA, which focus on trade liberalisation and do not incorporate a gender perspective, the subordination of women will inevitably worsen. Their equality of opportunity and access will be further restricted since women are over-represented in the most vulnerable sectors which, as many studies have shown, are always those most negatively affected by trade liberalisation.

Impact on women as workers

Trade liberalisation generally benefits larger transnational corporations over small, local businesses, so it is likely that the lifting of tariff barriers on imports will lead to the collapse of many

smaller, local or national businesses. This would worsen the following trends which are already detectable in the region:

- **Increased unemployment of women:** Unemployment in CA is currently higher among women than among men. It is likely that unemployment will increase following the EU-CA AA, especially given the impact that DR-CAFTA has already made on the competitiveness of small businesses, often run by women. Women who are also over-represented in the public sector may face losing their jobs as the emphasis shifts further towards privatisation. As unemployment rises men will be prepared to accept lower wages and women will be forced out of the formal labour market.
- **Women working without basic rights and in worsening conditions:** Consequently it is likely that increasing numbers of women will be forced to take unstable or part-time or piecemeal jobs in export processing zone factories which often do not provide even basic workers' rights such as holidays, breaks, health insurance and maternity leave. With increased competition from a global market, conditions are likely to worsen, including increased production targets for workers, compulsory overtime and lower salaries.
- **Reduced opportunities for women to access decent work:** In the face of decreased employment opportunities and rising costs of living women will continue to seek work predominantly in the informal economy, in export processing zones or in domestic employment. The need to work long hours to cover their basic needs will mean that they have less time to study or train for other work (and less time for social reproduction).

Impact on women's social reproductive work

The impact on women is particularly severe because of the social reproductive role they also play in caring for children and the elderly, nurturing and educating their families and communities. A woman who has to work long hours outside of the home in order to cover her and her family's basic needs will inevitably be unable to fulfil her social reproductive role. This role will then often be played instead by other females in the household. This very often has a negative impact on the education and health of girls and on family cohesion. In this context and with the growing numbers of female-headed households in CA the pressures on women are ever increasing.

These impacts should also be viewed in the cultural context of strong influence by conservative religious sectors in the formulation of public policy in the region which, as has been demonstrated in the recent outlawing of therapeutic abortion in Nicaragua, has severe negative effects on women's sexual and reproductive rights.

In the context of the increasing privatisation of public services in the region, a process which is likely to be furthered by the EU AA, women will again shoulder most of the burden. As the cost of essential services such as health, education, water and electricity rises, women will increasingly have to take on the provision of these services in their families and communities. The health and education of women is also most likely to be negatively affected by the rising costs of services. Given their multiple responsibilities poor women are not likely to access health care unless or until their condition is serious, and boys' education is likely to be prioritised over that of girls.

Migration

In the face of increased unemployment and economic pressures, migration both within and between Central American countries is likely to increase. When men migrate pressures increase on women to provide for their families and family cohesion is threatened. Likewise when women migrate, not only do they themselves suffer discrimination and abuse as migrant workers, as documented by many sources, but also the social reproductive duties they leave behind then fall on other women in their household often jeopardising their own health, education and opportunities.

Impact on women in agriculture

Early indications of the impacts of DR-CAFTA are that agricultural communities are being hard hit. While agricultural market access may not be a major area of interest of the EU-CA AA, it is very likely that conditions imposed as a result of further trade liberalisation will worsen these impacts, especially given the very high level of subsidies and internal support that the EU gives to its agricultural sector. Women who are smallholders will not be able to compete in an open market and their livelihoods will be threatened as a result.

Impact on women's opportunities to organise and participate in public life

As women are under increased pressure to work long hours to cover their basic needs, as well as to fulfil their responsibilities in the home and community in a context of reduced public services, they will be less able to organise and to participate in public life. Women workers are under-represented in trade unions which consequently often do not take into account a gender perspective in their negotiations. In this context that is also characterised by the strong influence of the religious right in public policy, women and their interests and needs are likely to be further marginalised, they are likely to be uninformed about their rights and less able to organise to defend them.

Conclusions and recommendations

European and Central American civil society and women's organisations must strengthen their alliances in order to work more closely together on the issue of the EU-CA AA. In order to minimise some of the EU-CA AA's negative impacts for women advocacy initiatives should:

- Promote economic development strategies that are centred around the needs of women and men, communities and nations, in which the capacity of local and national economies are strengthened.
- Seek to reconcile the productive and reproductive spheres – for example through recognising the care economy and the unequal value placed on women's work in the home and in the labour market.

- Emphasise the elements of the EU-CA AA – the commitments to political dialogue, cooperation and the promotion of sustainable development – that, supposedly, make it different from a simple free trade agreement.
- Insist on the need to re-negotiate the political dialogue and cooperation elements of the AA.
- Call for much wider participation of civil society, and particularly women’s groups, before, during and following the negotiation process.
- Emphasise the need to deepen the process of regional integration in CA so that it fully considers women as economic, political, social and cultural subjects, and demand that the EU retains its condition of not implementing the AA until there has been substantial progress in the process of regional integration.
- Call for the incorporation of a clear gender perspective in the design, execution and analysis of the SIA including full participation and consultation with all sectors, particularly the most vulnerable.
- Given that the SIA is in any case likely to have a pro-liberalisation bias, promote the use of disaggregated statistics in the negotiation process and the carrying out of independent gender impact studies before, during and after the negotiations in order to identify more clearly the impact on women’s lives.
- Support and promote alliances between national and regional women’s organisations that allow for effective participation at different levels and instances of the negotiations, including before and during the negotiations, as well as during the implementation and administration of the AA.
- Demand the exclusion of health and education services from the free trade agreement, as well as natural resources such as water, since this is directly linked to the well-being of the population. Also establish special treatment in the areas of electricity and communication.
- Demand an in-depth evaluation, with a gender perspective, of the impacts of DR-CAFTA in order to prevent the repetition of negative impacts in the case of the EU-CA AA.
- Support the creation of a regional centre for equality in employment, which would contribute to the eradication of instances of discrimination in the work place. These measures should also include foreign investors, particularly as regards sexual harassment, discrimination because of gender or pregnancy, employment and salary.
- European NGOs and civil society organisations should continue to facilitate and channel the proposals and demands of Central American civil society rather than becoming direct executors of the external aid that will likely result from the cooperation element of the AA. In this way we can avoid competition and the duplication of efforts.

FOR MORE INFORMATION

The EU-Central America Association Agreement: Its possible impact on the lives of Central American women

<http://www.cawn.org>

The Copenhagen Initiative for Central America and Mexico (CIFCA)

<http://www.cifca.org>

European Commission – External Relations

http://ec.europa.eu/external_relations/ca/index.htm

Asociación Latinoamericana de Organizaciones de Promoción (ALOP)

<http://www.alop.or.cr>

Cooperation Internationale pour le Developpement et la Solidarite (CIDSE)

<http://www.cidse.org>

Grupo Sur

<http://www.eurosur.org/gsur/#marca>

Tender for SIA on EU-CA AA

<http://ec.europa.eu/trade/centre/opportunities/tender/tender.htm>