

Foreign Direct Investment, Development and Gender Equity: A Review of Research and Policy

by Elissa Braunstein





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and Gender Equity:**
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acronyms

EPZ	export processing zone
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
ILO	International Labour Organization
M&As	mergers and acquisitions
MAI	Multilateral Agreement on Investment
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Cooperation and Development
PERI	Political Economy Research Institute
SAR	Special Administrative Region
TNC	transnational corporation
TRIMs	trade-related investment measures
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNRISD	United Nations Research Institute for Social Development
WTO	World Trade Organization

summary résumé resumen

SUMMARY

This paper provides a summary of the empirical and policy-related literature on the multifaceted relationships between gender inequalities and foreign direct investment (FDI). The literature on gender and FDI is evaluated with reference to the broader literature on FDI and economic development, new research directions are identified, and the policy implications of managing FDI for development and gender equity are discussed.

The empirical literature on the relationship between FDI and growth and development is surprisingly mixed. The paper reviews the research on the impact of FDI on investment, productivity, trade, employment, wages and working conditions, and finds few of the straightforward conclusions that the popularity of FDI as a tool for development would seem to indicate. However, despite a number of open questions and seeming contradictions, two consistent issues repeatedly arise. First, very little is understood about the dynamic impact of FDI. Even where positive correlations between FDI and investment, employment or wages appear, there is little analysis of whether and how the impact is sustained – to what extent (and how) FDI impacts the process and trajectory of development. Second, the research in which there does seem to be an emerging consensus is on the importance of the economic and policy context for FDI in determining its eventual impact.

In terms of women and FDI, it is clear that foreign investment in labour-intensive, largely export-oriented industries has had a significant impact on women's work and development. While there has been a positive relationship between women's employment and FDI in semi-industrialized countries, there is mounting evidence that women either lose jobs to more highly qualified men as industries upgrade, or get pushed down the production chain into subcontracted work as competition forces firms to continually lower costs. There is likely to be some short-term improvement in women's incomes as FDI expands, but the longer-term trajectory of women's wages is less promising. In terms of gender-based wage inequality, the research on FDI is consistent with other findings that trade does not systematically narrow the gender wage gap. The nature of gender segmentation and industrial distribution – where women are concentrated in highly competitive traded sectors – and the high mobility of transnational capital are instrumental in determining the gender wage gap. While women's wages may undergo an absolute boost from foreign investment, it seems less likely that this will result in a closing of the gender wage gap.

More research is needed in the following areas:

- FDI in the services sector, as much of the extant research is focused on the manufacturing sector, and services make up an increasingly significant part of exports for developing countries
- the relationship between foreign investment and gender equity, including an expansion of the ways that we measure gender equity beyond wages and education
- a closer assessment of how the changing structure of international production and the rise in subcontracting affect the statistics on women's employment and our assessments of them
- gaining a better understanding of the gender–FDI relationship over time, in terms of both the impact of FDI on gender, and the impact of gender on FDI
- lastly, identifying where and why foreign investment has worked well for women and development, with particular emphasis on the role of public policy.

Taking up the issue of public policy and FDI, the last section of the paper will review policies for managing labour-intensive, export-oriented FDI, the sector in which companies are most likely to be significant employers of women. The paper argues that there are ways to structure FDI policies from a gender-aware perspective, and that it is crucial to incorporate this perspective in struggles to link this type of FDI more closely with development. The last section introduces a framework for evaluating FDI policies, categorizing them according to their various targets: attracting FDI, contributing to economic growth or promoting gender equity. These policy targets can and do overlap, and three particular types are evaluated: those that link FDI (1) with growth, (2) with growth and equity, and (3) with equity. Among the FDI and growth target policies, the paper evaluates those that give advantages to domestically owned firms. For those that might link FDI with growth and equity, we evaluate performance requirements, incentives, labour standards and the regulation of physical capital

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