International Capital Flows: Identifying the Gender Dimension

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Abstract

This paper explores the main issues involved in examining the gender impact of international capital flows to developing countries. It argues that at the macroeconomic level women lose more than men from slow and/or unstable economic growth, financial crises and meltdowns, the more so the longer and deeper the economic downturn. This is largely due to the fact that, in the absence of a publicly provided social security system, the family and therefore women have to bear many additional burdens. The paper urges that women should formulate an agenda of their own with respect to international monetary reform and outlines some proposals.

Keywords:
Financial Crises; Gender; International Financial System.
JEL Classification: F3, F4, 01, 04

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I. Introduction

There is now a widespread recognition that in developing countries there are gender dimensions of international trade and a growing literature explores both conceptual and empirical aspects of the issue. Important contributions to this literature have been made by, among others, Berik and Cagatay (1990), Cagatay and Ozler (1995), Elson (1996), Joekes (1995), Ozler (1999), Pearson (1991, 1998), Standing (1989). Some of the most significant work has been concerned with the relationship between exports, female employment and women's wages in developing countries. There is evidence of increasing participation of women in the industrial labor force, particularly in export related sectors. Whether this is demand or supply led is debated, as are the implications both for women's welfare and the economy at large.

In contrast to this rich and growing literature on the gender dimensions of international trade, the gender impact of international capital flows to developing countries has received little or no attention. Even the mere suggestion of such gender connections is often met with derision, reflecting more than anything a lack of gender awareness or concern.

This paper attempts to help fill this gap in knowledge. This is particularly important in view of the fact that in developing countries the potential gender implications of international capital movements are arguably more important than those of trade. The paper is largely conceptual in nature. In particular it discusses two main issues: how freer private capital movements (as a result of capital account liberalization measures which have been implemented in many developing countries), affect the long-term rate of growth of GDP and its stability. What are the implications of these changes for wages, employment and the unpaid labor of women. The paper also provides some broad suggestions regarding the sort of policies with respect to external capital flows that might be expected to work in the broad interests of women. These suggestions from the basis of proposals for the reform of the international financial system posited here from the perspective of women.

The paper is organised as follows. Section II sets out the main facts regarding international capital flows to the South over the last decade or so, providing an overview of the trends and changes in the composition of such flows. In view of their potentially important gender implications, Section III analyses in some detail the impact of external capital flows on a) long term economic growth, b) the stability of the growth path, as well as c) the question of convergence. Section IV considers more closely the relationship between gender and a) and b). It specifically examines the potential gender impact of economic crises in developing countries, paying particular attention to the effects of the Asian crisis on women.

Finally, Section V briefly examines the main changes to the international financial system that would be required to improve the situation for women in developing countries. It urges that women should develop and articulate their own interests on these matters and ensure that their voice is heard in the ongoing discussions. The paper outlines certain specific proposals that might form part of a women's agenda.

II. International Capital Flows to Developing Countries: An Overview

II. 1. Trends

The main facts concerning international capital flows, public and private, to the South during the last three decades are the following:

i. *Aggregate growth.* Net resource flows to developing countries have greatly increased in magnitude over the last three decades from nearly US$ 11 billion in 1970 to over US$ 338 billion in 1997, falling to US$ 275 in 1998 following the Asian crisis (Table 1.) As a proportion of total South GNP they have risen from 1 per cent to 4.8 per cent in 1997. As domestic savings constitute on average approximately one fifth of GNP in developing countries, this suggest that, in the aggregate, external capital flows are adding almost a quarter to resources for investment.

ii. *Changing composition of flows*. In view of the fact that different flows have a different impact on the economy and on men and women, it is important to note the changing composition of external capital flows to developing countries. Data in Table 1 suggests that whereas in 1970 bilateral and multilateral grants constituted around 20 per cent of net resource flows, they constituted 8 per cent in 1997. The other major component of net resource flows in the 1970s, namely bank loans, bonds and other long term debt rose from just over 60 per cent of total flows in 1970 to almost 80 per cent in 1980, but then fell to 35 per cent in 1997. The share of foreign direct investment (FDI) in 1970 was 20 per cent and in 1997 50 per cent. Portfolio equity flows, which were negligible in the 1970s and 1980s, expanded rapidly in the 1990s and comprised about 16 per cent in 1996 and fell to around 9 per cent in 1997 and 5 per cent in 1998.

A somewhat different composition of capital flows to developing countries is provided by the IMF, namely distinguishing between net private and net official inflows. The figures indicate that between 1984-89 and 1990-1996 net official flows fell by nearly 50 per cent, while net private flows rose by 700 per cent (see Table 2).

iii. *Geographical distribution.* The changes in the regional distribution of international capital flows are also significant (Table 3). In 1970 and 1980, sub-Saharan Africa received about 15 per cent of the developing countries' total, whereas in 1997 its share was only a little over 5 per cent. The share of the East Asia and the Pacific region doubled from 20 per cent in 1970 to 40 per cent in 1995, falling to and 34.8 per cent in 1998 in the aftermath of the Asian crisis.[1] Following the debt crisis, the share of the Latin American and Caribbean region fell from more than a little over 35 per cent in 1970 and 1980, to just over 20 per cent in 1990. Subsequently it recovered again to almost 35 per cent in 1997.

Even these figures are at a high level of aggregation. Further breakdown shows that most FDI flows and portfolio flows, which have been the most dynamic flows in the 1990s, have gone to only a very small number of developing countries. Altogether

[1] The bulk of these flows were to the East Asian countries, rather than to the many small island economies of the Pacific.

fourteen developing countries account for 95 per cent of private flows to developing countries.[2] Table 4 provides detailed information on FDI inflows, indicating that China, Brazil, Mexico Argentina, Poland, Chile, Malaysia, Thailand, Venezuela and the Russian Federation (in descending order by receipts in 1998) accounted for nearly 70 per cent of FDI flows to developing countries between 1992 and 1998. The low income countries' share of FDI inflows was only 6.9 per cent in 1992-1993 and it fell marginally to 6.7 per cent in 1997-1998. China was the single largest recipient of FDI inflows, receiving over one quarter of net FDI flows to developing countries in the period 1992 to 1998. Between 1993 and 1998 FDI accounted for nearly five per cent of China's GDP compared with less than 2 per cent for the low income countries.[3]

Detailed information provided by the OECD (1999) for the 1990s indicates that total net private flows rose more than fivefold between 1990 and 1996. In 1997, the year of the Asian crisis, these declined by about 10 per cent. Particularly notable are the movements in international bank lending: such lending rose from a little over US$ 6 billion in 1990 to US$ 86 billion in 1996, that is almost a fourteen fold increase. However, in 1997, it fell by nearly 75 per cent to US$ 20 billion. This is widely acknowledged to have played a leading role in the onset of the Asian crisis.[4]

II. 2. Reasons for trend changes

Bilateral and multilateral "assistance" (comprising grants and concessional lending) was, in the early decades following the Second World War, virtually the only source of international capital available to developing countries. Although a commitment was made by donor countries to raise the level of such transfers to 0.7 per cent of their GNP, the figure has declined from an average of 0.34 per cent in 1981-82 to 0.22 per cent in 1997. Arguably even these low figures overstate the level of official flows, for they do not take account of the fact that a number of items in the bilateral assistance account involve little or no transfer of funds to developing countries, as for example technical co-operation and food aid. If these and other items are

[2] World Bank (1997b),
[3] See Table 3.4, World Bank, 1999.

deducted from the figures for DAC bilateral flows, ODA as a percentage of donor GDP was 0.12 per cent in 1997.[5]

The decline in ODA is largely the result of so-called donor fatigue and the ideological shift towards neo-liberal economic thinking in which "interventionism" by the state or international community is regarded as counterproductive and in which market solutions are preferred. Hence it has been supposed that private capital flows would replace official flows and that they were an efficient substitute.

In the event, as seen above, private capital has not become widely available to many developing countries, particularly the least developed and, for reasons which become clear later in this paper, their needs would be better served by significantly greater inflows of official capital. This would require a major shift in political attitudes in most of the advanced industrial countries. The World Bank has recently claimed that, in the right policy environment, "aid" has an important role to play. This raises the question as to what is the right policy environment. This is a highly controversial area where opinions differ. Indeed the Bretton Woods institutions, particularly the World Bank, until recently hailed the East Asian miracle countries for their right policy environment, and held them up as an example to other countries, only now to be told that the policy environment was inappropriate.[6]

Bank loans greatly increased in the 1970s as a result of both demand and supply factors. On the demand side, the negative real interest rates which prevailed in the mid 1970s made it attractive for the leading NICs to borrow from foreign banks to finance their industrial development. The banks, on their side, had a plentiful supply of petrodollars. Although there is evidence of loan pushing by the banks, there was also a strong desire on the part of the NICs such as Brazil, Korea and Mexico to raise capital in order to deepen their industrial base by means of imported capital goods and technology.

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[4] See further World Bank (1998a); Radlett and Sachs (1998); Singh (1999a), and Singh and Weiss (1999).

[5] South Centre, *Financing Development. Issues for a South Agenda*, South Centre, 1999.

In the 1980s, as a result of the debt crisis, commercial banks almost withdrew from voluntary foreign lending to developing country borrowers. However, as noted earlier there was a resurgence of bank lending in the 1990s, followed by a precipitate decline in East Asia.

FDI and portfolio capital (bonds and equity) inflows increased markedly in the 1990s, due to both push and pull factors. The pull factors included deregulation, liberalization and privatization in developing countries making them more attractive to potential developed country investors. There were a number of push factors. These included the fall in the rates of return in the advanced industrial countries due to cyclical factors, and changes in the rules to allow the rapidly growing pension and investment funds in the advanced industrial countries to invest a proportion of their funds abroad.[7]

II. 3. Surges in capital flows and volatility

In assessing the impact of capital flows, it is not only the level of the flows and the medium and long-term trends which are of importance but also the fluctuations in flows. For example, for developing countries in which bilateral and multilateral assistance accounts for a significant proportion of its GDP variations in receipts from one year to another can cause considerable macroeconomic management problems.

Nevertheless, the more critical problem arises with respect to private capital inflows, which for a number of middle income countries now constitute the bulk of their foreign capital receipts. A very important characteristic of these in the recent period has been the fact that they are subject to surges and sudden withdrawals. This fact, although evident in the aggregate data, emerges even more clearly from the data for individual countries. To illustrate, after the debt crisis of 1982, Mexico received very low voluntary private inflows in the 1980s. However, as a result of the introduction of Brady bonds as part of the debt restructuring process and the

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[6] Chang (1998) and Singh (1999a).

[7] There is a considerable literature explaining movements in FDI and portfolio flows to developing countries in the 1990s. This is reviewed in Singh and Weiss (1998). See also IMF (1998b).

market-oriented reforms carried out by the Mexican government, foreign inflows resumed at the end of the 1980s. Between 1990 and 1993 Mexico attracted US$ 91 billion, amounting to one fifth of all foreign inflows into developing countries. Between 1992 and 1994, the annual capital inflows averaged 8 per cent of GDP, compared with 5 per cent of GDP during the previous peak period in 1977-1981 (prior to the debt crisis). Net portfolio flows accounted for the larger share of these inflows: for the period 1990-1993 they amounted to US$ 61 billion or 67 per cent of net capital inflows. The Mexican stock market received US$ 22 billion of these net portfolio inflows which fuelled a rise in the share price index of 436 per cent in dollar terms. In local currency the rise in the share price index was almost tenfold in the period 1989 to 1994. Again, following the 1994 crisis, there was a steep decline in private capital flows into Mexico, to be followed again by a surge a couple of years later. (Singh and Weiss, 1998.)

The question of whether different kinds of capital flows have varying degrees and patterns of volatility, say, for example, behave in a pro or anti-cyclical manner, is a significant but controversial issue and will be taken up later in the discussion.

III. Economic Effects of International Capital Flows

III.1. Microeconomic analysis

In assessing whether capital flows to developing countries are gender neutral or how they affect women and men, it is necessary to consider their effects both at micro and macro economic levels.

The effects at the micro-level are relatively more easily identified and these will be primarily determined by the composition of the flows and the specific activities to which they are directed.

For example, grants and concessional loans from bilateral and multilateral sources are often given for specific projects and purposes, rather than as general budgetary or programme support. These will have specific gender implications, and evidence to date suggests that not only has such assistance often benefited men but sometimes has actually disadvantaged women. Nevertheless, as part of the increasing range of conditionalities attached by multilateral and bilateral donors, some funds are now being given specifically for projects intended to benefit women, either in their own right or as vehicles to improve the present and future situation of family members. Gender objectives are becoming an increasingly explicit condition for multilateral and bilateral assistance. The World Bank and several DAC donors are now working towards "mainstreaming" gender in all aspects of their work (Stiglitz, 1998a, Moser et. al., 1998).

In principle, at the micro-economic level, FDI also seems easier to assess in terms of its gender impact. Leaving aside the complications concerning the measurement and definition of FDI, FDI in the common sense use of the term, involving additions to a countries' production capacity, may take place in activities where women are as or more likely to be employed than men. For example, as noted earlier, to the extent that FDI is related to manufactured exports or export processing zones in developing countries, it is likely that in a number of semi-industrial countries more women than men will be employed. Whether or not this generates a net addition to employment and whether it is women or men who gain on balance can only be ascertained through careful research. For example, new FDI may displace one or more existing firms leading to a reduction in employment. On the other hand, it may lead to more technical progress and greater productivity growth and hence greater employment for both women and men in the long term.

However, what may be much more significant from the perspective of women is the impact of international capital flows on macroeconomic growth and its stability. There are good analytical reasons, as well as evidence (reviewed in Section 4) which indicates a clear asymmetry with regard to the way women, as compared with men, are effected by economic growth and reversals in growth.

If international capital flows are conducive to faster national economic growth, and to a higher overall level of employment, this may generate increased employment opportunities and possibly higher wages for both women and men, other things being equal which is a big assumption bearing in mind various kinds of discrimination. Moreover faster economic growth may facilitate higher government expenditures on health, education and other services and benefits and these may directly benefit women as well as men, Such social expenditures may also benefit women indirectly by relieving some of the burden they bear as unpaid carers and providers of sustenance in the absence of social services and social safety nets.

However, the economic and social impact of economic instability and crises in developing countries falls more forcefully on women than on men. This is largely because, apart from the direct effects of economic crisis on women as paid wage earners, women, whether in paid employment or not, become subject to increased economic and social pressures and are required to bear a number of additional burdens in times of economic crisis. These arise from the fact that developing countries do not have, and for a long time are unlikely to have, an adequate publicly provided social security system, leaving the family and women in particular to perform these functions as part of their unpaid domestic labor. These issues will be examined more fully in Section 4.

III.2. Macroeconomic analysis

Specifically, the relevant policy questions at the macroeconomic level in the current context relate to the issues of freer private capital movements or the desirability of greater capital account liberalization. In assessing the effects of international capital flows on men and women it is necessary to address first the following issues:

(a) How would capital account liberalization measures in developing countries affect their long term economic growth?

(b) Do freer capital movements increase cyclical instability or are they stabilising?

(c) Are free capital movements likely to promote wage convergence between workers in the rich and poor countries and between men and women?

Further, would such a convergence occur at the higher wages of the rich countries or the lower wage of the poor countries or in between the two?

A full assessment of the gender implications of capital account liberalization measures requires a separate analysis of each of the above issues as well as their combined effect. The latter is necessary there may be **trade-offs** between (a) , (b) and (c). For example, even if it were the case that free capital movements increase cyclical instability, this may be more than compensated for by a sufficiently higher rate of long term growth. [Similarly, some individuals or societies may put much greater weight on the question of convergence than either on long term economic growth or instability.]

Questions a), b) and c) are large ones on which there are sharply diverging views amongst economists at the theoretical and empirical level as well as at the policy level. The controversy cuts across the usual ideological divisions.[8] The main points at the different levels of the argument will be systematically reviewed below.

III. 3. i Theoretical considerations

Orthodox economists have traditionally provided broadly positive answers to each of the above questions. Their case for free capital movements is analogous to that for free trade. Capital movements can be regarded as a form of inter-temporal trade which enables economic agents to even out fluctuations in their income or consumption levels. More generally, it is argued that this permits capital recipient nations to avoid sharp downturns in economic activity as a result of shocks, internal or external.

At the global level, free capital movements are thought to lead to a better allocation of world's resources. This is because it is suggested that under such a regime, resources will move from capital abundant advanced countries where their

[8] For example, economists such as Bhagwati who is a leading advocate of free trade does not support capital account liberalization in developing countries.

marginal product is relatively low to poor economies where they may earn a higher return because of the scarcity of capital. This point is given added emphasis by the different demographic evolution in the rich and the poor countries: the former have ageing while the latter have youthful populations (IMF, 1998b, or Reisen). In an influential contribution, Sachs and Warner (1995) have suggested that free trade and capital movements would lead to convergence between rich and poor countries at the higher income levels of the former.

At the theoretical level, as IMF (1998b) emphasizes, the case for external financial liberalization is no different from that for domestic liberalization. McKinnon (1973) and Shaw (1973) suggested long ago that a liberal financial system (compared to a repressed one) leads to (a) greater savings and investment, particularly financial savings; (b) greater productivity of investments and hence because of (a) and (b) to faster economic growth. The same conclusion is reached in recent work on endogenous growth models which incorporate money and finance (Levine, 1998).

However, other recent theoretical work reveals serious inadequacies in the orthodox conceptions. The essential argument of the critics is that the case for free capital movements is fundamentally different from that for free trade. Capital flows are subject to asymmetric information, agency problems and adverse selection Although such problems may occur in trade in goods and services as well, they are intrinsic to financial flows and are far more important. Two critical elements of the financial contract are (a) it takes place over time and (b) the lenders do not have the same information as the borrowers. As the real world is subject to countless uncertainties and it is difficult to write contracts to cover all contingencies, it is too costly for the lenders to ensure the best use of their funds by the borrowers. This leads to an acute moral hazard problem as well as to adverse selection.

Many leading economists suggest that these market imperfections which are inherent to finance make the virtues attributed to financial integration unattainable. The orthodox response recognises these imperfections but suggests that the financial system provides appropriate institutions (e.g. banks) to ameliorate them. The counter argument at the theoretical level is that such institutions create imperfections of their own for example, excessive risk taking by banks in response to competition which subjects the economy to hazards of systemic failures.[9]

Importantly, there are also diverging views about the price formation process in asset markets such as the stock market and the currency markets. A large number of economists subscribe to the theory of efficient markets. In this view, prices are a collective outcome of actions of a multitude of individual economic agents whose behaviour is assumed to be based on utility maximization and rational expectations. A powerful counter-view is that put forward by John Maynard Keynes (1936) in chapter 12 of the General Theory and which is encapsulated in his well known "beauty contest" analogy which highlights the role of speculation in determining prices.

(Quote...)

Thus, in Keynesian analysis, which has been formalised in recent theoretical contributions, price formation in asset markets may often be dominated by speculators or noise traders in modern parlance. Moreover, theoretical work on Darwinian selection mechanisms indicate that the Friedman assertion that rational investors will always wipe out speculators is far from being valid in all states of the world.[10]

Further, the critical school note that the orthodox case for free trade and capital movements rests on the assumption that there is full utilisation of resources and full employment in all countries of the world. This may however be a particularly untenable assumption in the real world, which is subject to incomplete markets and frequent co-ordination failures. Keynes was particularly worried about this problem in relation to the post world war II world economy: and indeed that was his rationale for creating an institution such as the IMF. Modern analysis recognizes that because of these co-ordination failures financial markets often generate multiple equilibria, some good, some bad. In the absence of appropriate coordination by the government

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[9] There is volumous literature on these issues; for opposing perspectives, see Levine (1997) and Hellmann, Murdock, and Stiglitz (1996).

[10] On this set of issues, see in particular Stiglitz (1994); Allen and Gale (1995); Banerjee (1992); Bikhchandani et.al (1992); Di Maggio and Powell (1983); *Journal of Economic Perspectives* (1990) (special issue).

or international authorities, an economy may languish in a low level equilibrium, producing sub-optimal output and employment levels.

It is worth bearing in mind, however, that coordination by the government or an international authority does not always resolve the problem and may even aggravate it. It may result in coordinating individual economic agents' expectations in a counter-productive way. To illustrate, the pronouncements and actions of the IMF in relation to the current Asian economic crisis would be regarded by many as an unfortunate example of such coordination. At the start of the Asian crisis, instead of calling attention to the strong fundamentals of the East Asian economies, their export orientation, and their ability to pay of their debts in the medium to long term, the IMF argued that these countries' problems were far more serious. They were deeper and structural, and these countries would need far-reaching reforms to the basic structure of their economies (such as abolition of crony capitalism, the introduction of free markets in labor and capital, changes in corporate governance, and the relevant laws and institutions) to get out of the crisis. This evidently panicked investors, and their withdrawal compounded the crisis. A relatively tractable liquidity problem was thus turned into a massive solvency crisis, with enormous losses in employment and output. (For a fuller discussion on these issues see Feldstein, 1998; Radelet and Sachs, 1997, and Singh, 1998.) [11]

III.2. ii Empirical evidence

Long term economic growth

Just as there is no agreement on the theoretical analysis of the effects of capital account liberalization on economic growth or its stability, there is also divergence on the assessment of the empirical evidence. Rodrik (1999) has carried out the closest

[11] An interesting example of successful coordination by means of pronouncements, it may be interesting to recall, was Deng Tsiao Ping's visit to South China in 1992. His strong affirmation of China's new economic policies is thought to have influenced investors' expectations towards a "good" equilibirum of high growth of output and employment, not only in China but in Singapore and Taiwan too. Lau (1996) suggests that this enabled the Chinese economy to recover from the post Tiananmen Square economic slowdown more quickly that would otherwise have been the case, and laid the foundations for China's subsequent boom.

direct test of the hypothesis that capital account liberalization in developing countries leads to faster economic growth, or that capital controls diminish economic performance. Controlling for the other relevant variables (such as initial levels of per capita GDP, initial secondary enrolment rate, index of quality of government institutions and regional dummies) for a sample of 100 developing countries over the period 1975-89, Rodrik finds no relationship between the capital account regime and the following three indicators of economic performance: (a) per capita GDP growth, (b) investment ratio in GDP and (c) inflation.

Singh (1997a) considers the case of advanced countries. He suggests that the experience of these countries is relevant for developing economies since, during the last 15 years or so, the former have operated under a regime of relatively free capital movements. Their economic performance has been worse than in the earlier period of the 1950s and 1960s when they functioned under a myriad of capital controls.

Specifically, the evidence indicates the following:

- GDP growth in the 1980s and 1990s under a liberal regime regarding capital flows was much lower than that achieved in the "illiberal" and regulated "golden age" of the 1950s and 1960s;

- There has been a comprehensive failure of GDP growth in the later period: 21 out of 22 OECD countries recorded a fall in GDP growth;

- Productivity growth in the last fifteen years has been half of what it was in the "golden age";

- The critical failure is, however, with respect to employment: 8 million people were unemployed in the OECD countries in 1970, but by the mid 1990s 35 million were unemployed, that is, 10 per cent of the labor force.

More detailed analysis indicates that the poor performance of industrial countries in the recent period is not accidental but is closely linked to intrinsic features of the liberal financial regime. Co-ordination failures have led to sub-optimal levels of world output and employment. In other words when capital flows were regulated in the 1950s and 1960s, and there was co-ordination under the aegis of the hegemony of the United States, payments balance between countries was achieved at much higher levels of output and employment than subsequently under financial liberalization.[12]

Further, at a more elementary level it may be observed that the expectation of the orthodox theory that savings would move from capital abundant advanced countries to the capital scarce poor countries had not been realised. This is despite a high degree of liberalization of the capital account in rich as well as poor countries which has occurred during the last two decades. In fact, capital movements appear to be in the direction opposite to that predicted. A considerable proportion of the world's savings flow to the United States.[13]

In contrast to the studies above, which are sceptical about the positive effects of capital account liberalization on long term growth, other studies on related issues arrive at somewhat more favourable conclusions on this matter (see, for example Quinn (1997) Tamirisa (1998) and Lewis (1996, 1997).[14] Nevertheless, IMF (1998b) arrives at the following overall assessment of the evidence on this question: "These studies provide useful insights into the consequences of capital account liberalization. *At best, however, they provide mixed support for the hypothesis that capital account liberalization has a positive impact on economic growth.* Existing studies provide weaker evidence of a positive effect on growth for capital account liberalization in particular than for financial development generally." However, even this IMF conclusion concerning financial development and financial liberalization in general is strongly contested by Arestis and Demetriades (1997) and Singh (1997).

**** Memo: After Rodrik and before Singh 1997a (1997b?) add the following: Carrasquilla (1998) finds results similar to those of Rodrik for 1985 to 1995 for**

[12] Singh's (1997a) (**??) analysis also shows that the poor performance of industrial countries during the 1980s and 1990s cannot alternatively be ascribed to exogenous factors such as the exhaustion of technological opportunites, or to labor market imperfections.

[13] US Council of Economic Advisors (1999), Table 6.1.

19 Latin American countries. This study uses more direct measures of capital controls. (either as text or footnote.)

Economic fluctuations

Contrary to the expectation of orthodox analysis that free capital movements should in principle smooth out income and consumption for individuals and countries, the experience has been quite the opposite. Financial liberalization, both domestic and external, in advanced as well as developing countries (particularly the latter), has been associated with financial crises. These comprise both banking and currency crises, one often leading to the other.

Although capital account liberalization measures are by no means the only cause of financial crises, analysis and evidence suggests that since 1980 such measures have contributed to a number of crises, including both banking and currency crises. Such measures make capital importing countries vulnerable to changes in foreign interest rates and a volatile external environment -- factors which have been found to be important determinants of banking crises and therefore, indirectly, of financial crises.

Demirgüç-Kunt and Detragiache (1998) found in their study of 53 countries between 1980 and 1995 that banking crises are more likely in situations where the domestic financial system has been liberalized than if it had not been liberalized.

Although this study considers only domestic liberalization, the linkage with external liberalization in provided by two factors -- a) banking crises lead to currency crises and vice and versa and b) external events, through external liberalization also lead to banking crises.

The World Bank (1998) provides further indirect evidence linking international capital flows with crises for a sample of 27 capital inflow surges in 21

[14] For recent reviews of these studies see IMF (1998b) and World Bank (1998).

emerging markets. In two thirds of episodes, the Bank reports that there was a banking, currency or a twin crisis in the wake of the capital surge.

The costs of these crises in terms of lost output and unemployment, among other things, have been very high. (****Give an example**)

Research also indicates that financial liberalization is more likely to cause financial crises in countries with weak and underdeveloped financial systems. However, it is important to note that even the most developed financial systems have been subject to crisis following financial liberalization, for example, the savings and loans crisis in the United States in the late 1980s, the Scandinavian crisis in the early 1990s and the introduction of the European Exchange Rate Mechanism in Italy and the UK in 1992.

Research also points to the reasons why financial liberalization leads to crises. The more important of these include excessive risk taking by banks as a consequence of greater competition following financial liberalization, and contagion effects (see below). Indeed, Obstfeld (1998) argues that as long as there is asymmetric information, financial crises cannot be avoided.

Thus most economists would agree that free flows of international capital have made financial markets, as also the real economy, much more unstable, both in developed and developing countries. The gyrations in the stock markets and financial markets in the advanced economies in the 1980s and 1990s have become much more pronounced than in the earlier period of regulated capital flows. UNCTAD (1996) provides evidence for advanced economies to suggest that, since the implementation of financial liberalization, all the components of aggregate demand (consumption, investment, exports) have become more variable than before. The fluctuations in aggregate demand are partly due to fluctuations in the stock markets and currency markets. The unprecedented high real long term interest rates which have prevailed in the last twenty years are partly the consequence of this increased instability and greater riskiness of the financial markets. The high long term interest rates would, in turn, most likely have contributed to the lower investment and reduced growth. Thus economic fluctuations in themselves have a negative impact on the long term rate of growth of the economy.

Turning to the developing world, a host of countries in recent years have not only been the victims of greater economic fluctuations than before but what in effect has amounted to financial "melt-downs". This phrase accurately describes what happened in Mexico in 1994 and the Asian countries in 1997. Kindleberger (1984) has observed that financial markets are subject to frequent crises, which he ascribes to periodic and alternating bouts of irrational exuberance and pessimism largely unrelated to fundamentals. Alan Greenspan, Chairman of the US Federal Reserve and keen observer of the behaviour of present day financial markets, commented as follows with respect to investor behaviour during the 1987 US stock market crash and the Asian financial meltdown of the 1990s:

> "At one point the economic system appears stable, the next it behaves as though a dam has reached a breaking point, and water (read, confidence) evacuates its reservoir. The United States experienced such a sudden change with the decline in stock prices of more than 20 per cent on October 19, 1987. There is no credible scenario that can readily explain so abrupt a change in the fundamentals of long-term valuation on that one day. Such market panic does not appear to reflect a simple continuum from the immediately previous period. The abrupt onset of such implosions suggests the possibility that there is a marked dividing line for confidence. When crossed, prices slip into free fall - perhaps overshooting the long-term equilibrium - before markets will stabilize.

But why do these events seem to erupt without some readily evident precursors? Certainly, the more extended the risk-taking, or more generally, the lower the discount factors applied to future outcomes, the more vulnerable are markets to a shock that abruptly triggers a revision in expectations and sets off a vicious cycle of contraction.

Episodes of vicious cycles cannot easily be forecast, as our recent experience with Asia has demonstrated. The causes of such episodes are complex and often subtle. In the case of Asia, we can now say with some confidence that the economies affected by this crisis faced a critical mass of vulnerabilities; ex ante, some were more apparent than others, but the combination was not generally recognized as critical." (Greenspan, 1998)

The psychological reasons for these kinds of investor behaviour in the financial markets were explained by Keynes in the famous chapter 12 of *The General Theory*. Keynes' insights have been more recently formalized in the theoretical economic literature. This literature is able to provide a *rational* explanation for the herd-like behaviour, contagion and other irrational manifestations of those involved in financial markets.[15]

Convergence

The Sachs and Warner (1995) proposition that free trade and capital movements lead to convergence finds some support in the study by Ben-David (1993) of countries integrating into regional trading arrangements. This in effect is an empirical application of the factor price equalization theorem, though it does not consider specifically external financial liberalization. The Ben-David analysis showed that European Community countries experienced convergence while those rich countries outside the European Community did not.

This analysis has been sharply criticized by Rodriguez and Rodrik (1999) and Slaughter (1998) on methodological grounds. Slaughter's concludes from his analysis using superior difference-in differences estimations that the "main empirical result is that trade liberalization did not trigger convergence in any of the four cases. If anything, trade seems to have caused income divergence." (p.1).

[15] See further, Rodrik 1998; Radlett and Sachs 1998; Scharfstein and Stein 1990. These rational explanations for irrational investor behaviour involve, among other things, the assumption of assymetric information and observations concerning the nature and intensity of competition in the fund management industry, and how rewards are determined in the industry.

Furthermore, Sachs and Warner's (1995) own suggestion that the convergence among the industrial countries and the new territories in the period 1870 to ** 1914 (1913?) was caused by trade and capital flows is disputed by other scholars who suggest that, to the extent that there was convergence, this was due to labor flows (Fisher, 1995)

IV. Gender Implications

IV.1 Economic growth, fluctuations and convergence: gender effects

Long term economic growth, poverty, employment and gender

Before the Asian crisis, the fast long term growth of the South East Asian countries led to a sizable reduction on poverty in these economies. In Latin America, however, poverty rose in the 1980s due to slow growth consequent on the debt crisis, fell in the early 1990s in response to revived growth and rose again in the late 1990s in the aftermath of the Asian crisis. A similar situation occurred in Africa.

The responsiveness of poverty to growth, however, varies between countries. Estimated growth elasticity of poverty varies from less than one in Brazil, to less than two in most of sub-Saharan Africa, to 2.8 in Indonesia and 3.5 in Malaysia and Thailand. These variations in elasticity derive from the fact that poverty is not just influenced by growth rates but is also affected by the distribution of income, inflation, and the employment elasticity of growth, that is whether growth is more or less labor intensive (World Bank 1993, 1998; Demery, Sen and Vishwanath, 1995). Since the majority of the world's poor are women, there is a presumption that a reduction in poverty will benefit women. The World Bank (1998) provides evidence to suggest that women did benefit from the much faster economic growth in the S.East Asian region over the last 20 years.

The relationship between growth and employment is more complicated in developing economies. This is mainly due to the fact that most have no publicly provided unemployment benefits. As a consequence measured unemployment tends to be low, as large numbers of people find themselves obliged to undertake activities in the informal sector regardless of how little productive and poorly remumerated such work is. Consequently, there is often no relationship between growth and changes in the employment level and the informal sector. However, there is a close relationship between economic growth and formal sector employment and real wages. Thus in the Asian economies during the decade or so before the financial crisis, high growth rates led to growth of employment in manufacturing of five per cent a year. It also resulted in an increase in real wages of about five per cent a year. In contrast, in Latin America in the 1980s both formal sector employment and real wages fell with reduced economic growth.

Evidence suggests that, during the decade of pre-crisis growth in South East Asia, the participation of women in the formal sector labor force increased. Heyzer (1995) suggests that high growth in Korea, Indonesia, Malaysia, Thailand faster economic growth benefited women, through investment in education, health-care and new employment opportunities. There is, however, some evidence that although women have benefitted, men have benefitted more from faster growth.

To the extent that export orientation and fast growth of the manufacturing sector has led to increased formal sector employment for women, this may have been to their benefit in that it provides an independent source of income and access to urban facilities, contacts and services. (**So does informal sector??) On the other hand, women are paid relatively low wages and have few prospects of upward mobility. A situation of (continued) fast growth may contribute to lightening women's load of unpaid work related to social reproduction.

Economic recessions, depressions and gender

Whether men or women gain more from faster economic growth, there are good reasons, as well as evidence, to suggest that women are more disadvantaged by cyclical instability and economic depressions than are men. Unlike in advanced countries where economic downturns tend to throw more men out of work than women, in many developing countries the opposite is the case. The reasons for this lie in the differences in the production and gender employment structures in the two sets of countries. In advanced countries men are often employed in cyclically unstable industries or industries in long term decline (deindustrialization) while women tend to be employed in more stable service industries. In many semi-industrial countries, however, women tend to be employed in labor intensive manufactured export industries which are more prone to fluctuations.

The main effects of economic downturns on women do not manifest themselves just in the form of reduced employment or wages. The downturns invariably invite structural adjustment under IMF auspices, which often include the following elements

- *reduction in social expenditures;*
- *introducing charges for previously free public services in health and education;*
- *the reduction or removal of food, transport, and other subsidies.*

The gender implications and the generally detrimental impact on women resulting from such policies have been widely noted in studies on the impact of structural adjustment policies implemented in a large number of developing countries. In fact such studies have documented the direct and indirect impacts in situations where the family is a surrogate social safety net, and where the women in the family assume even greater responsibilities often at a time when there are even less resources available to help maintain the family. Thus women are observed to bear the stress of being caught in a pincer movement: the amount of caring and unpaid household duties may increase when family members become unemployed or sick, while the economic pressures increase for woman to undertake paid labor to contribute to family income, no matter how poor the remuneration and disagreeable or degrading the activity. Case study evidence summarized in Ozler (1999) points to the specfic ways in which women's unpaid work increases:

> "Women spend more time shopping for cheaper items, and more time cooking because they buy less processed items. Women villagers cultivate vegetables in home gardens. Length of stays in hospitals shortens and convalescence periods at home increase. It is also observed that not only women's work increases, but also the increase in domestic

> burden is also felt by daughters since they spend more ime helping mothers in comparison to sons. Example of increased work of women's unpaid reproductive work at the community level include opening of milk feeding programs for children, and communal kitchen organizations, organization of community groups to lower cost of food" (sic.)[16]

Ozler further notes that evidence suggests that in families adversely affected economically, women and children suffer from depression and delinquency. "Evidence also indicates an increased bias against girls' education. These adverse consequences are likely to have significant economic costs as they impact the quality and quantity of the current and future labor force."

In acting as a social safety net to cushion the effects of economic recession or crisis, women are often subject to societal pressures to be strong for the sake of others. For example, the Korean government promoted the national slogan 'Get Your Husband Energized", which called on women to absorb and buffer the impact of the financial crisis on men, who on becoming unemployed or bankrupt were subject to depression. Wome who had lost their jobs apparently did not need such support, but were encouraged to find work to help the family (Victoria Tauli-Korpuz, **199?)[17]

Asian melt-down and the real economy and gender implications

The melt-down in Asia generated a deep economic crisis. Although these economies are now experiencing positive growth during much of 1998 and early 1999 thez underwent a sharp fall in GDP as noted above.

The effects of the Asian crisis on poverty, real wages and employment have recently been estimated by the World Bank to be extremely large. The World Bank estimates that, assuming no change in the distribution of income, and using the one

[16] The author draws on case studies by several other writers.
[17] The World Bank (1998) estimates that in Korea, 86 per cent of those who lost their jobs in the banking and financial services sector were women.

dollar a day poverty line for Indonesia and Philippines, and US$ 2 dollars a day for Malaysia and Thailand, in Indonesia 17 million more people will have fallen below the poverty line in 1998, 2.3 million more in Thailand, 665, 000 in the Philippines, and just under half a million in Malaysia. Thus approximately 20 million people will have been added in 1998 to the 30 million or so who were already below the poverty line. (See Chart 1.) (World Bank, 1998b.)

With respect to unemployment, Bank estimates suggest that 18 million more people would have become unemployed by the end of 1998 in Indonesia, Thailand and Korea. This may be compared with the corresponding pre crisis figure for the three countries together of 5.3 million in 1996. In addition to this huge rise in open unemployment, there will also have been a big increase in the already high incidence of under-employment.

As Table 2 indicates that in 1998, one year after the crisis, real wages are likely to have fallen by 40 to 60 per cent in Indonesia, and by over 10 per cent in Thailand. The Indonesian figure is considerably higher than that suffered by any of the Latin American countries after the debt crisis of the 1980s.

Although the effects on women have so far not been studied in great detail, the available evidence from the Asian crisis countries suggests that the burden of the crisis falls disproportionately on women. The evidence, however, is scattered.

Nathan and Kelkar (1999) point out that in Thailand, although more men became unemployed than women because of the rate of job loss in the construction sector, women's average wage fell more than men's. They further point out that that there is evidence of a drastic fall in the women's incomes in the informal or homework sector which is almost exclusively the preserve of women.

The same authors also indicate that in Malaysia marginally more men wage workers than women were laid off -- 53 per cent versus 47 per cent. In addition, account has to be taken of the impact on the informal sector. (e.g. streetsellers and those working at home, actitivities in which women are over-represented.

Nathan and Kelkar (1999) suggest that in Indonesia, women are over-represented among the open unemployed. In addition, there has been a virtual collapse in the numbers of own account workers and petty traders. They also refer to an IFAD report that, in Indonesia, income in weaving declined by more than 75 per cent and women now preferred work as agricultural laborers.

South East Asian countries also 'exported' and employed large numbers of migrant workers. The majority of the region's migrant workers expelled from the crisis countries were women.

The World Bank (1998) observes:

"But women and girls may be disproportionately hurt by the financial crisis. Women lose their jobs first, and families pull their daughters out of school before sons. The particularly hard pressed may sell their daughters to brothels. Even before the crisis, girls in Indonesia were six times more likely than boys to drop out of school before the fourth grade. Once girls are removed from school they rarely go back.

Social organization also point to a rise in domestic violence and prostitution. Though gender equity is not new problem in the region, the crisis situation has exacerbated the difficulties faced by poor women and girls in Asia."

Latin America

Although the Asian financial, together with those in Russia and Brazil had serious consequences for Latin America, the effect on the real economy was limited. The rate of growth of GDP fell from an annualized rate of growth of 5.7 per cent in the first quarter of 1997 to 4 per cent in the first quarter of 1998, and then to -1 per cent in the first quarter of 1999. Therefore the effects on employment, unemployment and real wages have been relatively small compared with those in the South East Asian countries. For Latin America as a whole, the effects of the recession have been marginally increased unemployment rates for both men and women, and a marginal decrease in the participation rates of men and an increase of that for women, reduced real wages (Table 6).

Safety nets and social insurance

In the light of the massive economic and social dislocation and increase in poverty in the East Asian countries affected by the financial crisis, the World Bank and multilateral financial institutions have suggested that the governments of the affected countries are at fault for not having introduced social insurance systems in earlier years when these economies were growing rapidly and hade the means to institute such systems.

Now, these and other countries are being persuaded to institute social safety nets and social security schemes for provide assistance particularly for those who fall into hardship and below the poverty line in times of economic crisis. The inference is that if such schemes are in place it will be easier to live with the potential costs of potential instability and crises arising from policies of financial liberalization. These are now acknowledge to unavoidable accompaniments of financial liberalization.

It is ironical that such proposals are being made at a time when advanced countries are being encouraged to roll back universal social security systems in view of the disincentives to work that they are alleged to generate. Moreover, under the liberal economic regime and free international capital flows it is becoming increasingly difficult in these countries to generate the necessary revenues to fund such comprehensive schemes.

The question of funding such schemes in developing countries is even more problematic, particularly if they are to cater for the large numbers of people who work in the informal sector, very many of whom are women.

If social safety nets and social security schemes are to be affordable and practical in developing countries, it is argued that they would have to be closely targeted. However, Ranis and Stewart (1999) come to the conclusion that the World

Bank (sponsored) schemes involving targetting have been unsuccessful in providing for the poor and that such proposals are impractical.

It is worth quoting James Wolfensohn, the President of the World Bank (quoted in Singh, 1999) in this context:

> "While macroeconomic management is never perfect -- there will always be some fluctuations in output and employment -- the most effective safety net is a policy which maintains full employment. Deep recessions and depressions have adverse effects on virtually every one of the elements of a development strategy: health deteriorates, schooling is interrupted, and poverty increases. Formal safety nets are but an imperfect stop-gap measure in addressing the failures of macro policies to maintain the economy at full employment."

IV.2. Gender and the Financial Services Sector

An important aspect of financial liberalization which has a gender dimension is the expansion and diversification of the financial sector itself.[18] Apart from employment issues, this could, for example, have significant implications for women's access to financial assets and hence women's greater economic independence. In assessing the gender implications of the growth and diversification of the formal financial sector, some of the pertinent issues to examine are as follows:

- Is there greater availability of credit and cheaper credit in both the formal and informal sector, for both women and men?
- Does it provide more savings facilities for poor people, the majority of whom are women?
- Does it lead to changes in banking practice and changes in law, making them non-discriminatory, such that their attitudes and practices become

[18] For further discussion see **

more favourable to women? (For example, do practices continue in which a husband's signature is required?)

- Does the deregulation and diversification of the financial services sector facilitate easier and cheaper repatriation and receipt of migrant workers' earnings?
- What are the financial implications of the expansion of foreign borrowing by informal sector financial institutions, such as Grameen (Bangladesh) and Bancosol (Bolivia) following financial liberalization? (These institutions which cater for the poor are known to lend mainly to women.)

V. Improving the International Financial System to Achieve Gender Goals

In the light of the increasing frequency and intensity of economic crises in recent years, there have been widespread calls for reforming the international financial system. That the system has failed is implicitly accepted by everyone, but there is contention over the reasons for this failure and what this implies for change. The G7 countries, where the US Treasury Secretary Rubin was the first to raise the banner for the need for new "international financial architecture", appear to want minimal changes in the system. From details provided so far, it would seem that the main changes sought by the G7 are prudential regulation, greater transparency and more information from the financial and non-financial sectors in developing countries. It is suggested that such reforms would reduce the frequency and intensity of crises, but if crises should occur the G7 proposes measures such as orderly standardized bankruptcy procedures, as well as domestic safety nets to minimize the consequences.

Others have more fundamental criticisms of the current system and hence favour more radical changes. These range from the abolition of the International Monetary Fund, all the way to giving it greater resources to make it the international lender of the last resort. How practical these proposals are and how likely they are to find agreement among the whole international community remains to be seen.

In view of these discussion it is timely to formulate and articulate a gender perspective on these issues. Whether or not success in this is achieved, the exercise would also serve the important objective of helping to demystify the subject of gender and international economics and also that of the international financial system. It has been argued above that, from the perspective of women, what is most desirable is fast and stable growth and women-friendly government fiscal policies. What must be avoided are deep fluctuations in economic activity because of their particularly high costs for women. What kinds of reforms and institutional changes are therefore required to achieve such objectives?

We start from the premise that the reforms proposed by the G7, and others which stand the greatest chance of being adopted, are unlikely to prevent the occurrence of serious crises. (Feldstein, 1999, Rodrik 1998, and Chang and Singh, 1999.) Moreover, when such crises do occur the affected countries are likely to have to resort to the IMF and hence have to accept a wide range of unwelcome conditionalities. It is therefore very important for developing countries to consider various ways of preventing crises, for, even if the necessary measures have a high cost, there may still be a net benefit.

In a recent contribution Feldstein (1999) suggests that one of the best ways for developing countries to avoid a crisis is to have large international reserves and cites the case of China. However the Chinese example is not a straight forward one, since although it had high international reserves is also had capital controls, which may have been more effective in preventing crisis. In this context it is interesting to consider the case of India. India has also been able to resist the strong regional contagion and avoid a crisis. India, however, has only relatively small reserves and worse fundamentals than China's, but it does have capital controls. Moreover, UNCTAD (1998) has considered the question of international reserves in some detail and concludes that the accumulation of large reserves will have far too big a fiscal cost for most developing countries.

Following Chang and Singh (1999), we believe, that in view of the fickleness of international investor sentiments, developing countries must have the option of controlling capital inflows and outflows as part of normal policy. This is particularly so because of the important structural factors involved in the development process. The process inevitably produces an uneven distribution of gains and losses which gives rise to social strife. The potential for such strife and the policies to resolve them often panic international investors as well as national wealth-holders and lead to surges in unhelpful capital movements to and from the country.

To propose capital controls is not to deny that developing countries can be helped by foreign capital. However, what is required is capital committed on a long term basis to support the country's development strategy. This does not of course mean that only short term capital flows should be restricted and that any or all FDI should be welcome.[19] FDI also should be subject to controls so that its level, timing and content are such as to help rather than hinder economic development.[20]

Turning to the WTO multilateral negotiations on services, including financial services, the position taken in this paper would suggest that developing countries should normally be extremely circumspect about further financial sector liberalization. However, it must be pointed out that there is here a potential conflict of interest between that of women and society as a whole, at least in the short term. This is because if a country is obliged to open up its banking and insurance sectors to multinational investment, this may not be in its best developmental interests. It may, however, be of some advantage to women, as foreign multinationals may have a more gender neutral stance in lending and employment policies than do domestic firms.

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[19] **** To insert in text later in doc.** Whether or not FDI through such spill-overs brings net gains to the economy is a contentious issue in the literature. More recent studies (see, for example, Atkin and Harrison, 1999), suggest that previous research which generally found positive effects was methodologically weak as it did not take into account the fact that multinationals tend to invest in the more productive sectors. Atkin and Harrison's large panel-data study of 4000 plants in Venezuela between 1976 and 1989 suggests that the positive effects of FDI on total factor productivity for recipient firms were outweighed by the negative effects on firms that were wholly domestically owned. In the case of Venezuela they find no evidence supporting the existence of technological "spillovers from foreign firms to domestically-owned firms" (p. 617).
****??**Similarly UNCTAD (1999) points out that a considerable proportion of FDI consists of mergers and acquisitions.

[20] See Singh and Zammit (1997).

At a systemic level this analysis suggests that, whatever reforms may be proposed for the international financial system to help deal with the consequences of crisis once it has occurred, developing countries must be allowed the option of maintaining capital controls as an essential component of an avoidance strategy. They should not be pressured into rapid and full capital account liberalization by the IMF. The right to control capital flows must be the linchpin of any reform of the international financial system from the perspective of developing countries.

With respect to policy in developing countries, our emphasis on an avoidance strategy means that these countries should follow prudent macroeconomic policies, which do not lead to unsustainable fiscal or balance of payments disequilibria. Nevertheless, disequilibria may occur due to external factors beyond developing countries' control, as for example, changes in the terms of trade, or, in the case of indebted countries, an interntational interest rate shock. In these circumstances, it is both in the national and international interest that the crisis should be resolved as quickly as possible at least cost to the real economy and the population. This requires new mechanisms for orderly debt workouts and standstill agreements of the kind proposed by a number of economists and organizations which among other things aim for a more equitable sharing of the burden of bad debt between international creditors and debtors in developing countries. (See for example, UNCTAD, 1998.) It is also important that in any adjustment programme agreed with multilateral financial institutions such as the IMF, there is transparency and much wider participation in determining the details of the agreement than just that of the Ministry of Finance. It is also important that the domestic adjustment costs are equitably shared, and that particular attention is paid to the interests of the poor, including women.

The preceding analysis has so far addressed problems relating to middle-income developing countries and the more industrialized of the low income countries, both of which are in a position to attract private capital flows. There are, however, a large number of countries whose low level of development means that they have not attracted adequate and affordable private inflows, despite liberalization and the considerable incentives offered. These countries particularly require official development assistance to support their development needs. Part of the reform of the international financial system should be new measures to ensure the provision of higher and stable levels of development assistance.[21] Another important but more contentious point in this connection is that of conditionality, including whether donors should be able to stipulate specific gender conditionalities. Opinions will differ on whether intrusive conditionality by donors is morally and politically justifiable.

In conclusion, the current financial crisis has at last led to serious international interest in rethinking the world's financial and monetary system and the institutions which support it. It is vital that women should formulate and articulate their own ideas on what best serves their interests in order to make a significant input into the discussions on the so-called new global financial architecture. It is hoped that this paper will help in the clarification of these issues, even for those who do not share its policy conclusions.

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[21] A related issue is that of debt servicing by the highly indebted poor countries which result in a reverse capital flow, with crippling consequences for the countries concerned. Women would gain from the cancellation of these debts forthwith.

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