# NORWICH ECONOMIC PUBLICATIONS

## VOLUME 29

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# EDITOR'S FOREWORD

# FROM THE NEP CHIEF EDITOR

*"We wanted to focus on what we think the students care most about: the health of our planet, the impact that we as a collective can have, and how we can look after ourselves."*

***David Bunzl***

It is my greatest pleasure to welcome you to the 29th volume of the Norwich Economic Publications (NEP). This marks the 15th anniversary of the NEP. So far, we have continued our annual essay competition, released multiple essays, on both the economics bulletin and our new LinkedIn page, and dramatically increased the number of podcasts. We have focused on a wide range of issues, from current events to student experiences, to providing a platform to showcase exemplary work.

This year, we have not only come up with three main themes (well-being, sustainability, and global collaboration) but also introduced two pillars for our NEP (employability and diversity and inclusion). This brings topical new insights from each paper, and also allows us to focus on what is at the core of the NEP: the students and their interests within our pillars. Our themes this year reflect the changing landscape of the world around us. Things have altered drastically over the past 6 months, and we wanted to focus on what we think the students care most about: the health of our planet, the impact that we as a collective can have, and how we can look after ourselves.

This volume has once again kept its focus on student work, and we will highlight some of the exceptional coursework that students completed in their first semester of this academic year. Additionally, I am particularly excited to present the winning entries from the 15th annual essay competition in this publication. We, the NEP editors, took significant time crafting the essay questions and ensuring that they both reflected our thematical priorities and were engaging topics to research. Luckily, all competition participants showed a clear passion for their chosen topic, which meant that reading everyone's contribution was a great pleasure. I am especially pleased to host the awards ceremony for our winners to properly acknowledge everyone's hard work and achievement.

This volume was absolutely a team effort, so I would like to give a massive thank you to all the editors and associate editors who have helped to deliver this volume. I wish to note Valentin Noel's effort, who despite his editorial role being focused on the podcast, provided invaluable support on the formatting of this volume. Grace Tate, our papers editor was critical in this volume's fruition, through both her dedication and effort to bring all together in a coherent publication.

Finally, I would like to express my greatest appreciation to our academic editor, Lilliana Harding who has provided a great deal of mentorship and guidance, along with the support of our fantastic colleagues and staff in the School of Economics.

**David Bunzl –** NEP Chief Editor 2024 2025

# EDITORS' CONTRIBUTIONS

02

# NEP 29

# Wellbeing
# Sustainability
# International Collaboration

**In this section, we have our editors' contributions to the publication.**

From the creative history of Norwich to an overview of why our themes are so important, this section presents a mixture of essays incorporating our chosen themes, experiences from employability events, and reflections on UEA activities, all from an economic perspective.

What Our Themes Mean to us:

# The Importance of Collaboration

Dhruv Gandhi

Collaboration is at the heart of both economics and the university experience. No significant breakthrough in economics happens in isolation, and the same can be said about the most rewarding moments of student life. The Norwich Economic Publications (NEP) reflects this idea, offering students a platform to work together, share ideas, and build skills that go far beyond the classroom.

At NEP, our mission is to give students a voice on key economic issues. What makes this platform unique is not just the work we produce, but the process we follow. Every article or podcast involves a team effort—from brainstorming initial ideas to reviewing drafts. This teamwork brings together students from diverse backgrounds, each offering fresh perspectives and fostering an environment where we all learn from one another.

NEP is not just about writing or editing. It is a community that helps you grow academically and personally. Through discussions and debates with fellow students, you may start to see things differently. For example, talking about the impact of rising interest rates or debating the fairness of a specific economic policy can open your mind to ideas you might not have considered before. These conversations bring economic theories to life, making them more relatable and practical.

But NEP is also not just an academic exercise. It highlights working with a team to meet a deadline, refining an argument, or pitching a creative idea. These are the same skills that employers value. In the world of economics—and many other fields—collaboration is the key to solving big, complex problems.

Equally important, NEP aims to build a sense of community. University life can be challenging, with so many demands on your time, from lectures to part-time jobs. NEP offers a platform where students can come together, challenge each other, and build something meaningful which can reach students across the university. This platform lets you get to know your peers better - either through their published essays or their participation in podcasts. These connections and professional relationships can lead to networking opportunities, often lasting after graduation.

This academic year, we want to encourage you to get involved with the NEP. Whether you love writing, have a knack for editing, enjoy speaking on podcasts, or simply want to share your ideas, there is a place for you. It gives you a chance to sharpen your skills, explore your creativity, and collaborate with others who are just as passionate about economics as you are, so keep an eye on our publications and get in touch with us to collaborate.

Ultimately, collaboration is not just a buzzword—it is a skill and a mindset that will benefit you in every aspect of your life. As such, we have decided to make it as a central theme of the NEP this academic year! From working on group projects in your studies, to leading teams in your future career, the ability to work with others is invaluable and we wish to explore these together. By embracing collaboration, we can all learn to see the bigger picture, approach challenges with confidence, and contribute meaningfully to the world around us.

So, let us make this year about working together—at NEP and beyond. Together with you we can achieve something truly special, making our joint academic experience one to remember.

What Our Themes Mean to us:

# The Cost of Climate Change on Developing Economies

Dhruv Gandhi

Climate change is a global crisis, but the effect of this is not equally distributed. The more developed Global North are the cause of most of the world's historical emissions, but it is the Global South and developing nations that are the most vulnerable.

Whilst wealthier nations possess resources to adapt to the effects of climate change, developing countries' economies, faced with limited infrastructure, and constrained financial capacity, are more dependent on climate sensitive industries.

One of the most straightforward economic impacts of climate change on developing nations is the destruction caused by extreme weather disasters. Hurricanes, floods and droughts not only result in terrible loss of life but also devastate important infrastructure such as roads, schools and hospitals. Rebuilding these assets diverts limited resources from other essential development goals. Taking the example of Pakistan, in 2022, they suffered devastating floods, with damages estimated at $30 billion. A shocking blow to an economy already crippling with debt and inflation.

Industries such as agriculture, a foundation of almost every developing economy, is particularly vulnerable to climate change. Unpredictable rainfall, rising temperatures and increased frequency of droughts threaten crop yields leading to food uncertainty and income loss to millions of small-scale farmers. These impacts ripple through the economy by driving food prices up and increasing poverty levels. In Sub-Saharan Africa, where 50% of the workforce is employed in agriculture, climate change could reduce agricultural output by up to 30% by 2050, according to the World Bank.

The economic cost of climate change also extends to public health. Increasing temperatures and changing ecosystems facilitate the spread of diseases like malaria and dengue fever, increasing healthcare expenditures for governments already operating on tight budgets. Moreover, the shifting of populations due to rising sea levels and extreme weather conditions causes additional economic strain, as resources are redirected to manage internal migration and provide for displaced communities.

Developing nations face the double burden of coping with these challenges while striving to transition to greener economies. However, the financial support required to make this transition often falls short. Developed nations have pledged $100 billion annually in climate finance, but actual disbursements remain far below this target, leaving developing economies to shoulder much of the burden.

Addressing the cost of climate change in developing economies requires a collaborative global effort. Wealthier nations must fulfil their financial commitments and provide technical support to enable sustainable development. At the same time, investing in climate-resilient infrastructure, diversifying economies, and empowering local communities are essential strategies for reducing vulnerability. By sharing the responsibility, the global community can ensure that no nation is left behind in the fight against climate change.

What Our Themes Mean to Us:

# The Economics of Mental Health: A Smart Investment for Society

Dhruv Gandhi

**Introduction**

What are the signs of a good economy? It is not just about GDP per capita, employment rates and inflation but is also about wellbeing. Mental health is a major part of a person's wellbeing. Poor mental health does not just lead to personal struggles but also has economic consequences including lost productivity, rising healthcare costs, and lower life satisfaction. This affects the private sector, public sector, and society as a whole. Addressing the issue of mental health is not just about improving wellbeing but is vital hurdle which, when addressed, will eventually lead to a stronger, more productive workforce and healthier communities.

**The Cost of Ignoring Mental Health**

Mental health conditions significantly affect the global economy, costing over $1 trillion each year in lost productivity according to the World Health Organisation (WHO, 2022). Mental health problems often occur alongside each other, exacerbating symptoms resulting in absenteeism and presenteeism trends, including the increased use of sick days and lack of effort in the workplace. This culminates in lost revenue for businesses, ultimately causing the economy to suffer.

Beyond lost productivity, there is also the financial burden on healthcare systems. Untreated mental health conditions often lead to physical health problems like heart disease and diabetes (Walker et al., 2015), which cost more to treat, thus further driving up the costs for national health services. Additionally, the increased burden caused by mental health on waiting times will lead to an increase in unemployment due to health-related factors. The Lancet Commission on Global Mental Health (2018) estimates that if this trend continues, mental health-related costs could hit $16 trillion by 2030. Therefore, ignoring mental health is not just bad for individuals—it is bad for the economy, too.

**Why Businesses Should Care**

Workplaces are directly impacted by mental health. Employees dealing with stress and burnout are less engaged, less productive, and more likely to leave their jobs (OECD, 2021). In the UK, a government report found that mental health issues cost businesses around £42 billion every year (Stevenson & Farmer, 2017).

But here is the good news—investing in mental health pays off. Companies that offer mental health support such as Employee Assistance Programs (EAPs) and flexible work options, see higher productivity, better employee retention, and fewer sick days (Deloitte, 2022). Not only is it the right thing to do; it makes business sense.

**Mental Health and Economic Growth**

On a larger scale, countries that prioritise mental health tend to have higher levels of happiness, stronger economies, and more stable societies. Scandinavian countries, for example, invest heavily in mental health services—and they consistently rank among the world's happiest nations (Helliwell et al., 2020).

The World Health Organisation estimates that for every $1 spent on mental health treatment, there is a $4 return in better health and productivity (WHO, 2020). This is a return on investment most businesses and governments would dream of. If more countries followed this approach, we'd likely see stronger economies, healthier populations, and a more resilient workforce.

**What is being done and how can it be improved?**

Society has  certainly taken strides when it comes to mental health and wellbeing. The UK government planned to invest £150 million on treating mental health (GOV.UK, 2023)

To tackle this issue, governments and businesses must act by firstly increasing the funding for Mental Health Services by investing in early intervention programs, affordable therapies and mental health education can save money in the long run. Secondly, the employers could encourage workplace wellbeing programs by offering mental health benefits, promoting work-life balance and train management to support employees. Lastly the governments could make mental health a policy priority by integrating it into economic strategies and recognising it as a key factor in long term growth.

**Conclusion**

Mental health is not just a personal issue, it's an economic one. When people are mentally healthy, they work better, contribute more to society, and rely less on healthcare systems. The numbers do not lie, failing to invest in mental health leads to massive economic losses while supporting mental wellbeing creates happier individuals, stronger businesses, and thriving economies. It is time for governments and companies to recognise that mental health isn't a luxury, it's a necessity.

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# Make your Mark

Violeta Bollano

As McDaid and Cooper (2014) noted in 'The Economics of Wellbeing', policies supporting cultural participation can lead to better mental health, increased productivity, and long-term economic benefits. Today, Norwich's creative industries not only contribute to the city's economy but also provide opportunities for the community to get involved and engage with each other.

How economic history intertwines with creativity has also become evident in the city's celebration of medieval merchant marks. These ancient symbols, once used to identify individuals and trades, are now at the heart of exploration into heritage, creativity, and identity.

As part of the CreativeUEA initiatives, the University of East Anglia (UEA) and the National Centre for Writing have recently partnered to host "Make Your Mark," a series of events within the 'Being Human Festival'.

These events, also supported by Norfolk Library Information Service and Norfolk Museums Service, brought together students, academics, and the wider community to delve into the history and significance of historical marks and to add their own creative imprints.

The workshops took place at various locations, including Productivity East (part of UEA), the National Centre for Writing, and The Forum in Norwich. They were led by Dr Sophie Butler and Dr Tom Roebuck from UEA, alongside designer and educator Darren Leader, whose work laid the foundation for 'Make Your Mark!' and should be recognised as central to the project. Darren Leader has long explored the hidden stories behind Norfolk's visual identity and symbols, and his research into logo heritage and design history inspired this project's creative direction.

## Norwich's Merchant History

Merchant marks are not just remnants of the past or economic history, they are powerful symbols of identity and ingenuity. In medieval and early modern Norwich, a bustling hub of international trade, merchants stamped marks onto goods, carved them into buildings, and used them as signatures. These marks were both practical and personal, representing the merchant's business, reputation, and individuality.

The 'Make Your Mark' project celebrated this rich heritage through walking tours, workshops, and exhibitions. Guided by UEA professors and local historians, participants retraced the steps of merchants from centuries ago, uncovering marks scattered across the city's historic streets. The walking tours connected the past with the present, inviting participants to view Norwich as a living archive of creativity and commerce.

## What Do Merchant Marks Mean to Us?

Findings from a survey conducted by Liliana Harding, Associate Professor in Economics at the UEA for the 'Make Your Mark!' project, assessed engagement and public perceptions of Norwich's cultural and economic heritage. The survey revealed how economic history, creativity and wellbeing are interlinked. For example, when respondents were asked to rate their well-being on a scale from 1 to 10 before and after visiting cultural landmarks, scores improved from as low as 4 or 5 before engagement with the merchant marks, to 8 or 9 after joining the heritage trail. When asked why culture and heritage matter, 30% linked these to the ability to stimulate creativity, 25% mentioned the value of preservation, and 20% saw them as essential to raising Norwich's reputation. Others focussed on the role of the merchant marks for education and personal inspiration.

These findings underscore the importance of cultural goods in enhancing well-being and fostering community engagement through the economic heritage, while actively contributing to modern identity and creativity in the city of Norwich.

## Creativity in Action: Workshops at UEA

To complement an exhibition at the National Centre for Writing in Dragon Hall, UEA hosted workshops that invited individuals to engage directly with Norwich's merchant history and create their own marks. Inspired by the ancient symbols scattered across the city, participants were able to craft their own personal marks, blending historical inspiration with contemporary creativity. These workshops emphasised the timelessness of self-expression and encouraged attendees to explore the ways in which identity is communicated through art.

The workshops, led by Dr Sophie Butler and Dr Tom Roebuck from UEA, along with Darren Leader, challenged participants to think beyond traditional creation methods. By using unconventional materials and techniques, they invited attendees to reflect on the process of mark-making as a form of storytelling—much like the medieval merchants who once used these marks to represent their businesses and identities.

## Creativity at UEA: Students' Perceptions

In addition to exploring the significance of merchant heritage in the city, I asked UEA students how they engage with arts and creativity on campus. Arts and international students were most likely to visit the Sainsbury Centre, often appreciating the opportunity to see fine arts and artifacts up close. Some noted the collections to be both visually striking and historically significant.

When asked about the emotional impact of the Sainsbury Centre, several students described feeling a greater sense of calm and relaxation after visiting, as the experience allowed them to momentarily disconnect from academic stress. Others highlighted how engaging with the artwork made time seem to pass quickly as they became deeply absorbed in the exhibits.

Many students shared that visiting the Sainsbury Centre provided a space for creative reflection and intellectual engagement beyond their coursework. This further emphasised the role of cultural enrichment and academic inspiration, both in the city and directly on our campus.

## Conclusion

Merchant marks were not just historical symbols but also integral to trade and reputation in medieval Norwich. The Make Your Mark initiative highlighted the connection between economic heritage and the modern city of Norwich.

From exploring the legacy of merchant marks to creating new symbols of identity, the project inspired reflection on the power of art and self-expression. It emphasised the role of cultural amenities accessible to us, beyond the trail of historical merchant marks. Extending the discussion to students' engagement with the Sainsbury Centre at the UEA, we conclude that cultural goods and heritage enhance well-being and community but also our own creativity and student experience.

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# Employability

Christopher Dy
Software Engineer
Invesco

Marketa Nyklova
Product Specialist
FactSet

Andrew Draper
Data Strategist
Market Axess

## Inspiring the Next Generation: UEA School of Economics Autumn Employability Panel

Isaac Williams

Starting your career journey can feel overwhelming, especially when it's challenging to know exactly what types of jobs are even out there. With so many career paths and roles to consider, alongside the constant stream of job adverts, it is easy to feel lost. With the challenges of filling out applications, tidying up your CV, preparing for interviews, and maintaining focus on your studies, it can feel like you are being pulled in all directions. That is why the employability team at UEA's School of Economics invited a panel of professionals to share insights from their own career journeys since university, offering valuable advice to maximise your chances when applying for roles. In this article, we look back on this event and highlight some of our key takeaways.

**Our Speakers Journeys**

Christopher Dy was our first speaker and works as a Software Engineer at Invesco. After graduating with an economics degree from UEA, Chris went on to study a master's in financial technology at Birmingham and joined Invesco via their Technology Associates Programme in 2022. Invesco is an Investment Management company that specialises in managing assets for both retail and institutional investors across multiple asset classes, including equities and bonds. Chris regularly works with various languages, including Python, JavaScript, aaqqqqqA 1nd React, to help solve problems and build solutions for his role. Thanks to Invesco's scale, Chris often finds himself working with principal architects and fellow software engineers globally, and he sees this as a highlight of his role.

Marketa Nyklova was next to present. She is a Product Specialist at FactSet. After graduating with a degree in business, accountancy, and economics from Worcester, Marketa then went on to complete a master's degree in comparative business economics at University College, London (UCL). After completing her master's, Marketa worked in finance and administration positions before finding her current role at FactSet through networking at a conference. FactSet is a financial data and software firm that specialises in serving both individual and professional investors. Their clientele includes investment banks, portfolio managers and hedge funds. Within FactSet, Marketa often uses the 'Scrum' framework when planning tasks and coordinating with her overseas Data Engineers, including in the USA and India. Marketa uses Scrum to focus her team on collaboration for a specific project, ensuring adaptability and feedback for continuous improvement.

Andrew Draper was our final speaker. He works as a Data Strategist at MarketAxess. After graduating with an economics degree from UEA, Andrew joined MarketAxess as a Client Services Associate and has since transitioned into his Data Strategist role. MarketAxess is a leading electronic platform specialising in fixed-income markets. As a platform, MarketAxess provides institutional investors with the instruments and data required to trade fixed-income products like US corporate bonds. In the past, this type of trading would have occurred by manual voice traders. However, as MarketAxess is a data-driven platform, it uses artificial intelligence (AI) to provide algorithmic trading for clients. As a Data Strategist, Andrew works to analyse market data and helps build and develop algorithms that help clients when trading.

**What Advice Do They Have for You?**

Our speakers provided us with some valuable tips on the application process, as well as how to make the most out of a graduate position.

Chris showed us what an ideal CV and cover letter looks like when applying to a finance or data position, as well as how to ace an interview. Chris spoke about the power of being able to expand on every bullet point within your CV during an interview and the need to tailor your cover letter to the exact job description you're applying for. When it comes to the interview stage, Chris emphasised the need to practice your interview techniques. Chris' interview questions to know are the 3 Whys: Why the industry? Why the company? And why the role? Having these answers prepared can help set you up for a successful interview as it demonstrates your commercial awareness to the interviewer.

Marketa detailed the variety of roles available within her industry as well as the art of networking. Marketa is a product specialist but also works closely with software engineers, which is similar to Chris's role. Marketa emphasised the breadth of available roles, making the product development industry particularly attractive to graduates. Having found her current role through networking at an event, Marketa showed the importance of making connections and reaching out to people on LinkedIn for career advice. Marketa also emphasised the importance of seeking feedback wherever possible. Whether this is for your CV and cover letter or interview and assessment centre skills, asking for feedback can allow you to continually develop your skillset and improve your future applications.

Andrew gave us some interesting insights into using AI within a job application, emphasising the importance of being AI's superior, not inferior. Using AI to understand gaps in your CV and within your skillset can be useful, but steer away from allowing ChatGPT to write cover letters as companies have increased their use of AI detection technologies. Andrew also emphasised the importance of making connections even in more data-driven roles, like a Data Strategist. Building workplace connections even when you have secured a graduate position can help develop your network and allow you to alter your area of focus within the business. This allowed Andrew to pivot his role at MarketAxess from a Client Services Associate to his current role as a Data Strategist.

**Turning Insight into Action**

The Autumn Panel was not only a fantastic insight into the worlds of Finance, Data, and Technology but also a masterclass on how to build up a career, step by step, connection by connection and application by application.

Chris' sharp advice on interview prep, Marketa's real-world proof that networking really does work and Andrew's reminder that even in a data-driven world, connections still count just goes to show that success is about perseverance.

The speakers didn't promise an overnight transformation or a picture-perfect LinkedIn profile. Instead, what they offered us was far more valuable. Practical steps to take right now. Tailor that CV. Ask for feedback. Seek career advice. Say yes to the next conversation or connection. But most importantly, stay inquisitive, whether that's about companies you want to work for or for what your dream role may look like, because if there's one thing to take away from this panel, it was that you don't need to have it all figured out. You just need to be willing to start.

# ESSAY COMPETITION

# 03 Annual NEP Competition

The annual NEP essay competition allows students to answer one of our questions with a chance to win up to £500. Here, students can pick a question they are passionate about or interested in and create a compelling argument grounded in economic theory.
We were pleased with the number of responses and enjoyed reading all submissions. Below, you can see the questions and winning entries for undergraduates and postgraduates.
The questions are structured around the themes established at the start of the academic year. See them for yourself below:

## Wellbeing

1. What policies are needed to address the social and economic impact of climate change, particularly on marginalised communities?
2. What economic models best integrate environmental sustainability with inclusive growth, and how can these be applies globally, especially in emerging economies?
3. AI has already revolutionised much of the economy, but due to its energy consumption, it comes at a great environmental cost. Do the benefits of AI outweigh the costs.
4. The Ukraine-Russian war led to a ride in energy process, leading many governments to focus on energy security. Discuss how this might interact with efforts to increase economic sustainability.

## Sustainability

1. What are the largest risk factors facing young people's wellbeing and how can this influence the economy as a whole?
2. What role do income redistribution policies play in enhancing the wellbeing of disadvantaged groups, and what evidence supports their effectiveness?
3. What role does university education play in bridging the skills gap for 21st century employment?
4. Since the Covid pandemic, labour markers have become increasingly tight. How does labour market activity impact mental health, particularly among young people?

## International Collaboration

1. Since January 2021, the UK and the EU have officially parted ways, five years after the Brexit referendum. Describe the key changes that have occurred in the UK as a result of Brexit and analyse the consequences of this separation.
2. What are the advantages and disadvantages of globalisation for workers in different parts of the world?
3. What effect does economic uncertainty have on international collaboration, and how has this changed since the Covid-19 pandemic?
4. There is a growing call for protectionist measures around the world. Does this spell the end of globalisation in its current form?

# 1st PLACE

## Navigating the New Trade Order: Globalisation in the Age of Protectionism Assessing Trump's Tariffs and Their Impact on Domestic Economies and Global Supply Chains

Claudio Barchiesi

UNDERGRADUATE

**CLAUDIO BARCHIESI**
BSc Economics, 3rd Year

**Introduction**

Globalisation has long been regarded as a cornerstone of international economic progress. The process of liberalising trade, capital flows, and labour movement has been credited with enhancing efficiency, spurring technological diffusion, and contributing to global economic growth (Stiglitz, 2002). Yet this consensus has come under scrutiny in recent times as the United States under President Donald Trump has embraced protectionist policies that prioritise domestic industries and workers over global market access. The imposition of tariffs—ranging from a 25% tariff on imports from Canada and Mexico to escalating tariffs on Chinese goods—has reinvigorated longstanding debates over the merits of free trade versus the benefits of economic nationalism (Milner, 1988; Chang, 2011).

Recent announcements of new tariff plans by President Donald Trump have raised concerns over a possible collapse in global trade, with some drawing comparisons to the 1930s Smoot-Hawley Tariff Act, which exacerbated the Great Depression. However, while Trump's proposed tariffs may lead to increased costs and inflation within the U.S., the global economy has evolved significantly since the 1930s, reducing the likelihood of a major collapse in global trade.

This paper argues that the primary impact of Trump’s tariffs will be domestic, affecting inflation, corporate profits, consumer spending, and economic growth in the U.S., while global trade flows will remain resilient.

Section 2 reviews the history and theory of tariffs and globalisation. Section 3 discusses Trump's shift toward protectionism with specific policy examples. Section 4 looks at the interconnections of modern economies. Section 5 examines the effects on global supply chains, while Section 6 highlights the economic impacts. Section 7 concludes.

## Section 2: Historical Context and Theoretical Perspectives

Before we dig deep into the topic, we need to understand what tariffs are. Tariffs are defined as taxes imposed on imported goods and services, to increase the cost of foreign products relative to domestic alternatives. The primary aim of tariffs is to protect domestic industries by reducing the competitiveness of imported goods, thereby fostering local production. Historically, tariffs played a significant role in the U.S. economic policy, particularly before World War II, when they constituted a major source of federal revenue. However, following the advent of globalisation in the 1990s, tariffs came to be viewed as an impediment to the efficient allocation of resources and as a barrier to free trade.

In recent years, the United States has witnessed a resurgence in the political appeal of tariffs. President Trump has advanced a policy framework that includes imposing tariffs not only to protect domestic manufacturing and raise government revenue but also to recalibrate trade balances with key partners. His administration has justified tariffs based on national security and revenue generation, asserting that such measures would incentivise domestic production and address trade deficits. However, empirical evidence suggests that tariffs impose significant costs on the domestic economy. Tariff-induced price increases are predominantly borne by American importers, who in turn pass these costs on to consumers, thereby reducing purchasing power. Moreover, while tariff revenues contribute marginally to federal income, they are negligible when compared to revenues generated through income taxes.

China, Mexico and Canada are three of the U.S.'s largest trading partners, responsible for about 40 percent of the country's trade. The U.S. is the largest market for tequila. Mexico and Canada are among the biggest suppliers of agricultural products including tomatoes and avocados — between 2019 and 2021 almost 90 percent of all avocado shipments into the U.S came from Mexico. Figure 1 shows how important Mexico and Canada are for the United States as key trade partners.


*Figure 1: Graph of Top U.S. Trading Partners as of November 2024 – U.S Census Bureau*

Since the mid-twentieth century, the global economy has experienced unprecedented integration. The establishment of multilateral institutions such as the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT) provided the institutional framework for trade liberalisation. Proponents of globalisation argue that reducing trade barriers increases competitive pressures, spurs innovation, and ultimately benefits consumers through lower prices and a wider variety of goods (Oatley, 2019).

However, critics have long maintained that globalisation has generated winners and losers. Scholars such as Joseph Stiglitz (2002) and Ha-Joon Chang (2002) point to the adverse effects on certain domestic sectors and communities—particularly those dependent on traditional manufacturing. The "China Shock" literature, for instance, documents how rapid import competition from China resulted in significant job losses and wage stagnation in U.S. manufacturing regions (Autor, Dorn, & Hanson, 2011). This growing inequality and economic dislocation have contributed to the political backlash against free trade and the rise of protectionism.

## Section 3: The Rise of Protectionism Under President Trump

### 3.1: Case Study: The Washing Machine Tariff Experiment

Back in his first mandate in 2018, President Trump introduced tariffs on imported washing machines with the stated goal of benefiting U.S. consumers while simultaneously creating domestic jobs. Under this policy, any washing machine imported into the United States incurs a tariff charge payable by the American importer. Because these importers operate on thin profit margins, they typically pass the additional cost on to consumers. The underlying strategy was to reduce demand for imported products and thereby create market space for domestic producers.

Following the implementation of the washing machine tariffs, not only did the prices of imported units increase, but domestic washing machine prices also rose. Contrary to the belief that taxing imports leaves domestic prices unaffected, increased tariffs stimulate greater demand for American-made products—resulting in an overall rise in prices. Furthermore, the effect was not limited to washing machines. A basic economic class will teach us that complementary goods are products that are used together and have a negative cross-elasticity of demand. This means that when the price of one good decreases, demand for the other good increases. Because of this phenomenon, dryers also experienced price increases due to their common purchase alongside washers, demonstrating the indirect impact of such trade policies. While these tariffs did generate approximately 1,800 jobs—primarily through investments by foreign companies like Samsung and LG establishing manufacturing plants in the United States—and yielded annual tariff revenue of around $82 million, the economic cost to consumers was substantial (Flaaen, Hortacsu & Tintelnot, 2020). Price increases led to an additional expenditure of roughly $1.5 billion, equating to about $815,000 per job created. This high cost per job is one reason many economists criticise tariffs as an inefficient and expensive method of stimulating employment compared to alternative policy tools.

### 3.2: Steel, Aluminium, and Beyond: Expanding the Tariff Regime

The 2018 tariffs were not limited to washing machines. Additional measures were imposed on steel and aluminium imports with the intent of penalising China for its perceived violations of international trade norms and for reasons of national security. These tariffs affect a wide range of industries—from military equipment manufacturing to automobile production—by increasing input costs for U.S. manufacturers. Consequently, domestic companies that rely on steel and aluminium face competitive disadvantages relative to foreign producers who are not subject to the same cost burdens.

This repercussion could now happen with the new taxes implemented on Canada. Figure 2 illustrates how a vast majority of America's crude oil imports comes from Canada. Ulterior costs in the price of oil will lead to consumers having to pay higher prices in order to maintain company margins at their current state.

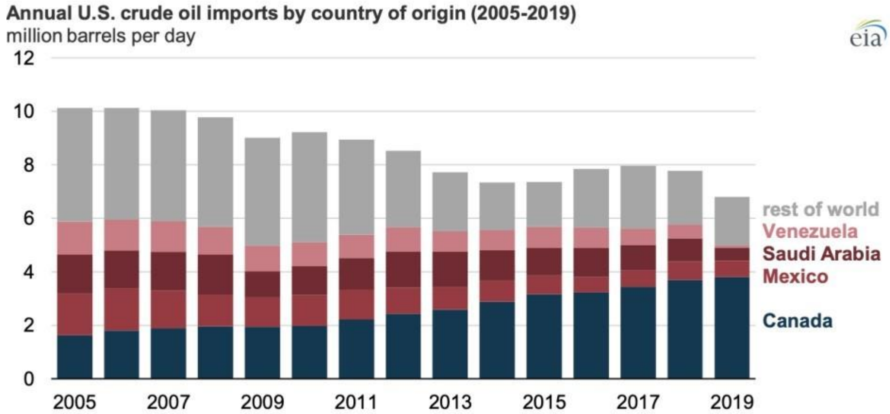


*Figure 2: U.S. crude oil imports – US Energy Information Administration*

Comprehensive analyses of the 2018 tariff regime reveal a complex picture. Although the measures helped stabilise the decline in manufacturing jobs and motivated some U.S. companies to reduce their dependence on China—thereby increasing supply chain resilience — the overall economic impact was negative. Job losses in industries that depend on these inputs and the higher costs borne by companies and consumers ultimately undermined the policy's broader economic benefits. Moreover, while the tariffs spurred changes in corporate sourcing strategies, they did little to alter China's broader trade behaviour; in some respects, Chinese firms even adopted a more aggressive stance in international markets.

**Section 4: Global Trade Resilience: Interconnected Economies and Regional Alliances**

Nevertheless, a 1930s style trade collapse is unlikely. Let's look at some of the reasons why globalisation may not be affected as badly as some think.

The 1930s global economy relied on fragmented, bilateral trade relationships, leaving nations vulnerable to unilateral policy shocks. In contrast, today's trade ecosystem is characterised by intricate, multinational supply chains and institutional frameworks such as the World Trade Organization (WTO), which enforce dispute resolution mechanisms and discourage retaliatory spirals. For instance, over 60% of global trade involves intermediate goods, embedding cross-border production networks that cannot be easily unwound (World Bank, 2023). Corporations like Apple and Toyota source components from dozens of countries, illustrating how diversification inherently buffers against disruptions. Consequently, while tariffs may reroute trade flows—such as shifting electronics manufacturing from China to Vietnam—they are unlikely to halt commerce entirely.

The 1930s saw nations retreat into isolationism, but contemporary economies have proactively cultivated regional partnerships to reduce dependence on any single market.

The Regional Comprehensive Economic Partnership (RCEP), encompassing 15 Asia-Pacific nations, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) exemplify this shift. China, for example, now directs 38% of its exports to RCEP members, diminishing its reliance on U.S. demand (IMF, 2024). Similarly, the European Union's trade diversification into Africa and Southeast Asia ensures that U.S. tariffs would not singularly dictate global trade outcomes.

In 1930, the U.S. accounted for nearly 14% of global exports, amplifying the Smoot-Hawley Act's destabilising effects. Today, however, the U.S. represents just 8% of merchandise exports, while China and the EU collectively contribute 30% (WTO, 2024). This diffusion of economic power ensures that no single nation's policies can unilaterally derail global trade. Moreover, emerging markets like India and Brazil have become critical demand drivers, further diluting the U.S. influence.

## Section 5: Impact on Global Supply Chains and Trade Flows

One of the key debates surrounding the trade war concerns its long-term effects on the U.S. competitiveness. While some policymakers argued that tariffs would incentivise the reshoring of manufacturing and reduce dependency on Chinese supply chains, research suggests that firms have instead sought to diversify production to other low-cost countries, such as Vietnam or India, rather than returning production to the U.S. (Bown, 2019). This "reshoring" phenomenon, or rather the lack thereof, illustrates the complex interplay between protectionist policies and global supply chain dynamics.

In the realm of production, certain countries possess competitive advantages due to more efficient supply chains and lower labour costs. For example, empirical evidence indicates that approximately 97% of clothing purchased in the United States is manufactured abroad (Fukase, 2000). This predominance is largely attributable to substantially lower production costs in countries such as Bangladesh, India, and Vietnam. In Bangladesh, for instance, workers earn roughly $150 per month (approximately 87 cents per hour), creating a stark wage differential compared to the United States. Consequently, even a 10% tariff on clothing imports would not make domestic production cost-competitive; rather, it would simply increase the cost of imported clothing by 10%, thereby contributing to inflation without fostering a revival of a domestic clothing industry.

Moreover, the competitive advantage enjoyed by these countries extends beyond labour costs to encompass differences in regulatory environments. In some developing countries, environmental and waste management regulations are less stringent, which lowers production costs despite adverse environmental outcomes. These factors help explain why a substantial proportion of consumer goods—for instance, around 70% of items sold by retailers such as Walmart (Taillie et al., 2016)—are imported.

Tariffs, by design, are inflationary. In practice, domestic importers bear the burden of tariffs, as they typically pass the additional costs on to consumers. The revenue collected from tariffs is remitted to the government; for example, in 2024, total tax collections in the United States approached nearly $5 trillion. A universal 10% tariff on all imports is projected to yield approximately $400 billion in additional revenue annually representing roughly 8% of current tax collections. Despite this significant inflow, such revenue would be insufficient to meet the funding requirements of a modern federal government, whose spending has expanded from 2.7% of GDP a century ago to approximately 25% of GDP today. Figure 3 illustrates the revenue from income taxes compared to customs duties (tariffs) over time. As we can see, the idea of substituting income tax with revenue is simply wishful thinking.

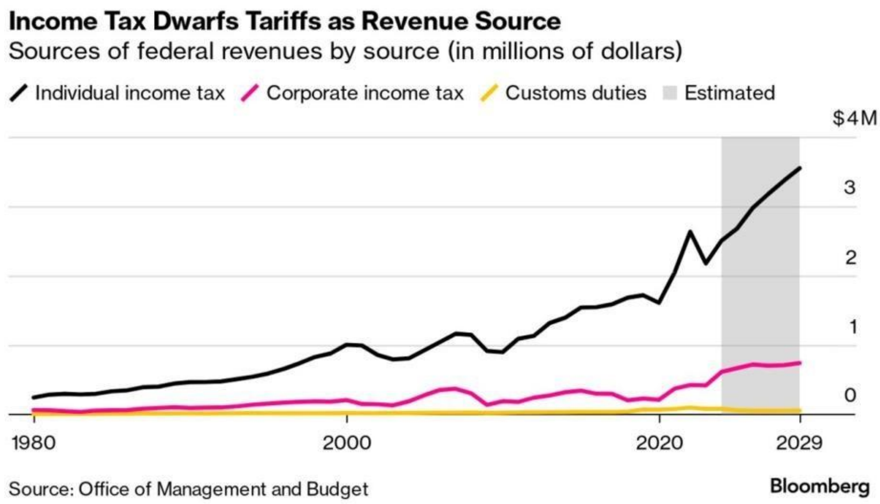


*Figure 3: Income Tax and Tariffs revenue – Bloomberg*

Critics sometimes cite the historical reliance on tariffs—when tariffs constituted as much as 93% of federal revenue—as evidence that tariffs can sustain government operations. However, the size and scope of government have increased dramatically over the past century. Additionally, while tariffs imposed during the previous administration (which affected roughly $400 billion of imports and generated about $80 billion in revenue) did not result in a pronounced inflationary spike, a 10% tariff on all imports would have far more substantial economic effects.

**Section 6: Economic Consequences of Protectionism**

A substantial body of research (Felbermayr et al, 2015; Rodrik, 1986; Tullock, 2008) confirms that tariffs impose significant welfare costs on an economy. Tariffs function as taxes on imported goods, thereby raising the prices paid by consumers and reducing overall consumer surplus. For instance, studies estimate that the tariffs imposed during the Trump administration led to monthly deadweight losses in the billions of dollars, with increased costs disproportionately affecting low and middle-income households (Amiti et al., 2019). In addition to consumer costs, tariffs raise production costs for industries that rely on imported intermediate goods. This not only reduces the competitiveness of domestic firms but also undermines incentives to invest in innovation.

The cumulative effect of these factors is a reduction in aggregate economic welfare, as higher prices and lower productivity growth diminish long-run economic growth (Klein & Meissner, 2024).

Industries dependent on global supply chains, such as automotive and technology, will confront margin compression. General Motors, for instance, estimated that Trump's 2018 tariffs cost them $1 billion annually, prompting cuts to R&D spending (Flaaen, 2019). Persistent tariffs could similarly deter investment in innovation and expansion, particularly for small and medium-sized enterprises lacking economies of scale. A 2025 National Association of Manufacturers survey found that 65% of firms would freeze hiring in response to new tariffs, threatening the labour market's resilience.

In 1962, following World War II, the United States experienced a surge in chicken exports to Europe—especially to West Germany. However, European poultry farmers expressed concerns over competition and began imposing tariffs on imported American chicken. When diplomatic efforts failed to resolve the dispute, President Lyndon B. Johnson took decisive action in January 1964. In response, he implemented a 25 percent tariff on imported light trucks as a retaliatory measure. This policy, commonly known as the "Chicken Tax," was intended to offset losses incurred by American poultry farmers in European markets and, over time, became a lasting protectionist measure.

Although the initial rationale was to retaliate against European trade barriers, the Chicken Tax evolved into a broader instrument of protectionism. Its lasting impact is evident in the U.S. automotive market: domestic manufacturers have maintained a competitive advantage, exemplified by Ford's F-Series pickup truck—a model that has held the title of the best-selling vehicle in the United States for over four decades (Dolan, 2009). Simultaneously, the tax effectively limited the market penetration of European truck manufacturers, underscoring the trade-offs inherent in protectionist policies. The legacy of the Chicken Tax demonstrates the potential consequences of retaliatory tariffs—namely, the distortion of consumer choice, increased product prices, and a long-term alteration of market dynamics.

Despite the short-term disruptions caused by protectionist measures, globalisation is unlikely to vanish entirely. Instead, the global economy may evolve into a more fragmented system characterized by regional trade blocks and selective openness. Scholars like Dani Rodrik (2011) contend that a "new globalisation" is emerging—one that balances the benefits of market integration with the need for domestic policy autonomy.

Under this model, states retain the ability to implement policies that safeguard critical industries and address domestic social concerns, while still engaging in international trade. Such an approach would require a reconfiguration of existing multilateral institutions to better accommodate the diverse needs of both developed and developing economies. The challenge for policymakers, therefore, is to design a framework that minimises the welfare costs of protectionism while maintaining the incentives for global cooperation and technological innovation.

## Conclusion

The growing call for protectionist measures under the Trump administration and similar trends observed globally represent a critical juncture in the evolution of international economic policy. While tariffs and related protectionist policies may offer short-term relief to specific domestic sectors, the preponderance of empirical evidence suggests that they impose significant welfare costs through higher consumer prices, disrupted supply chains, and reduced long-run productivity growth. Rather than heralding the end of globalisation, the resurgence of protectionism is likely to catalyse its evolution into a more regionally oriented and strategically selective system. In this emerging paradigm, states will seek to balance the need for domestic economic security with the benefits of global integration by embracing policies that foster regional cooperation, invest in domestic innovation, and reform multilateral institutions. The challenge for policymakers is to design a trade framework that mitigates the adverse effects of protectionism while preserving the incentives for global technological progress and market integration.

Ultimately, the debate over protectionism versus globalisation is not a zero-sum contest. The future of global trade will depend on the ability of policymakers to reconcile competing economic and political interests. As the global economy faces new challenges—including technological disruption, climate change, and geopolitical realignments—the task of crafting a resilient, inclusive, and adaptable trade regime becomes ever more urgent. By drawing on a rich body of academic literature and empirical research, this paper has argued that Trump's proposed tariffs will not lead to a global trade collapse similar to the 1930s, as the modern economy is far more resilient and adaptable. However, the tariffs will have significant domestic consequences, primarily by increasing inflation, reducing corporate profits, and slowing economic growth in the U.S. The greatest risks lie in domestic consumer price increases, business uncertainty, and potential retaliation from trade partners. While the global economy will adjust and trade will find alternative channels, the U.S. businesses and consumers will face immediate economic pressures, making the real impact of Trump's tariffs a domestic economic challenge rather than a worldwide trade catastrophe.

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# 2nd PLACE

## Since the Covid Pandemic labour markets have become increasingly tight. How does labour market activity impact mental health, particularly among young people?

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**Introduction**

The COVID-19 pandemic impacted global economies and was one of the most extreme depressions after the Great Depression. In 2020 alone, worldwide gross domestic product (GDP) reduced by 2.7%, an unprecedented fall in modern times (IMF, 2024). Out of all groups, young workers have suffered the most, including job loss, higher financial vulnerability, and lost opportunities for promotions. The labour market was considerably slacker at the start of the pandemic before government actions like lockdowns and social isolation. In addition, job vacancies were reduced with uncertainty in the economy, and a significant loss in job opportunity, closures of companies, and a fall in overall economic activity ensued. Nonetheless, labour demand rose following post-pandemic economic restoration. By the end of 2022, labour market tightness in America was 72% higher than it was at the start of the pandemic, and this trend continued through 2023, with tightness 32% higher than during the period preceding the pandemic, reflecting the rapid transition from job losses to labour shortages (Birinci and Ngân, 2023). For young people, the fast changes in the employment market increase stress, anxiety, and depression by 16% of a standard deviation. This effect reflects the mental health issues that young people face when the job market is uncertain (Bogliacino et al., 2023). This essay will explore the impact of the Covid pandemic on the labour market, focusing particularly on the mental health of young workers.

This study aims to provide insights into the structural changes that have reshaped the job opportunities for young people in the post-COVID period and to understand how labour market activity impacts youth psychological wellbeing.

## Changes in the Post-pandemic Labour Market

As mentioned in the OECD report (2023), labour markets have stabilised and are very tight across member countries. Employment is now slightly above the pre-COVID level, whereas unemployment is at a record low. In this period, the labour demand is relatively high, which indicates a tight labour market, and both labour supply constraints and labour demand factors are related to this outcome.

In the context of labour supply constraints, changes in work preferences and immigration restrictions significantly lower the labour supply. More companies resorted to working from home as opposed to in-person work during the pandemic to maintain their business feasibility in accordance with government policies. Although most of the economic activities that had shut down as a result of the pandemic have resumed, only 5% of employees work full-time in the office. The report shows that most employees prefer working remotely because productivity increases and lowers attrition rates (HRO Today, 2023). Consequently, filling in positions requiring office work becomes difficult. Moreover, due to the pandemic, many countries implemented strict border control measures, leading to a significant decline in immigration during this period. Migrants are a key source of supply for labour in most industries, but especially in construction and agriculture. The lack of access to these migrant workers means that there is a severe shortage of labour.

Furthermore, there are jobs available if there is a mismatch between workers' skills and job opportunities, indicating a labour mismatch problem rather than a true labour shortage. This is captured by the Beveridge Curve, which represents the relationship between job vacancies and unemployment rates. When the Beveridge Curve shifts right, it implies an increase in structural unemployment, meaning that existing workers do not possess the skills required for available jobs. While AI and technology sectors experience excess demand for skilled labour, young graduates in retail and hospitality find it increasingly difficult to land any jobs.

## The Impact on Young People's Mental Health

Before understanding how the increasingly tight labour market affects young people's mental health, we need to define 'mental health'. According to the World Health Organization (2024), Mental health is defined as "a state of mental well-being that enables people to cope with the stresses of life, realise their abilities, learn well and work well, and contribute to their community". Having good mental health enables people to handle stress and face uncertainty. The labour market is an important determinant of mental health for young people as it is the main challenge they face after graduating to afford their cost of living, especially as inflation rates are increasing in many countries. Therefore, the labour market directly influences young people's job stability, financial security and social inclusion.

Current labour markets offer fewer stable jobs to young people, so they are more likely to experience employment instability and insecurity. Today, more than ever, most young people have academic qualifications as a result of better education, so they have higher skill levels than their predecessors in many parts of the world. By investing a lot of time and money, more young people now expect skilled jobs and a stable career path after graduation. However, due to a mismatch between jobs and skills structural unemployment occurs, meaning that job vacancies exist, but young workers are unable to find employment when their skills mismatch with employers' demand. In fact, this phenomenon is most severe in the fast-growing sectors of the economy, such as AI and technology, where specialised expertise is required, while many young graduates possess degrees in fields that would appear to have lower opportunities. Thus, more young people are forced into contract-based or gig work rather than stable full-time employment which increases economic uncertainty.

Uncertainty and anxiety produced by current labour market conditions induce poor mental health for young people. According to the report from The American Psychological Association, unemployment leads to anxiety, depression, and loss of life satisfaction. Being unemployed is not just a financial trauma, but also a psychological trauma (Pappas, 2020). Apart from mismatch between skills and jobs, employment instability and insecurity are also caused by comparison pressure. The rise of social media has increased possibilities for social comparison. Social media provides a platform for people to sometimes project an idealised version of life, which worsens feelings of self-worth in young people suffering unemployment and leads to the manifestation of depression and anxiety. According to the Social Comparison Theory proposed by Festinger in 1954, people evaluate their self-worth based on comparisons with other individuals. Job uncertainty naturally produces more anxiety and depression where labour markets lead to longer job searches, especially for fresh graduates who have no work experience and are facing increased competition. Thus, whenever this comparison causes them to see themselves as less fortunate in relation to others, they develop feelings of inadequacy (Newport Academy, 2023).

Secondly, more and more young people are being offered part-time jobs instead of full-time jobs, which significantly lessens their wages. Still, many of these young workers must face greater expenses like increased rent and student debt, especially in the post-pandemic period. The cost of consumer goods and services in 2022 went up by 9.6% in the UK, the fastest in four decades (Office for National Statistics, 2024). Nevertheless, with high inflation rates after the pandemic, real wage erosion means a decrease in the real income of young workers. Transportation, food, and other essentials are becoming less affordable, further pressuring young people, especially those in low-income and unstable jobs. Subsequently, inflation has overtaken wage growth, so many other young people must use credit cards and loans just to keep up with their daily expenses, which in turn creates even more of a financial burden.

In order to afford the essential expenses, young workers have to work multiple jobs to meet financial needs, which means they have to work longer hours with heavier workloads and also find it difficult to take control of their lives. As it is more difficult for young people to secure a stable and fairly paid job, they often have to take up part-time jobs, temporary jobs, or gig jobs that give them no job security, no benefits, and little in terms of career progression.

As part-time jobs are usually low-paid and may only require little work time, many young workers take on multiple part-time jobs to at least be able to pay for rent and food. As a result, young adults will suffer increasing amounts of both physical and mental fatigue as they juggle between various schedules and work environments while earning an unstable income. Having unpredictable schedules also makes it difficult for young people to plan their lives or have personal time, leading to a higher risk of depression because with a lack of time, no hobbies can be built or social interactions shared, which further detracts from sources of happiness and stress-relieving activities. Nevertheless, long working hours and lack of rest lead to chronic fatigue, burnout, and other stress-related illnesses. Individuals experiencing the mentioned mental illnesses will lose motivation, feel emotionally numb, and struggle to find purpose in their work, which is worsening their mental health.

Third, there is a threat of social exclusion for young people because of the shift in working environments. In such environments, employers will have a difficult time getting workers because of increased competition among different companies, leading to higher wages and better benefits to attract employees. Therefore, employers often seek flexible and cost-effective employment solutions in tight labour markets, such as gig work, part-time jobs and remote work. The young, who disproportionally take part in the gig economy feel pressured to prove their worth constantly to secure their positions, leading to a stressful workplace environment. In this situation, while the employment arrangements provide flexibility to employers, they also reduce in-person interactions between workers and make it harder to build team relationships, leading to a lack of social interaction. Young people working as part-time workers or remote workers will suffer from loneliness and a higher level of stress as they have no one to talk to. The Public Sector Human Resources Association has stated from its research that up to 25% of fully remote workers experienced significant loneliness, while it was only 16% among employees who work strictly on-site (PSHRA, 2025). Moreover, an individualistic and competitive culture creates a stressful environment for employees. When people are less likely to seek help or collaborate with others, there will be workplace isolation, indicating that workers do not feel connected to their coworkers. It also causes workplace loneliness, which causes increased stress, reduced emotional well-being, and burnout. In the end, this mental exhaustion may result in decreased job performance and a rise in intentions for resignation (Jung, Jung and Yoon, 2022).

**Policy Recommendations**

This section will suggest key policy recommendations aimed at increasing job stability, reducing financial stress and enhancing social inclusion. By implementing concentrated reforms in education, labour protections, and career support, governments and employers can create a more resilient labour market.

First of all, since structural unemployment occurs when young workers' skills do not meet market demand, governments should provide free or heavily subsidised reskilling programmes so that structural unemployment can be reduced in order to bring the labour supply in line with demand in the market. Therefore, investing in youth upskilling increases economic productivity in the long term and reduces dependency on unemployment benefits. For example, to keep young people competitive and open doors to new career opportunities, the Singapore’s SkillsFuture initiative provides financial support and resources to enable youth to reskill and upskill in high-demand fields (ASK Training, 2024).

On the other hand, whereas young people with part-time or gig jobs can hardly afford the high cost of living on low wages, the governments can provide housing subsidies or rent control measures aimed at low-income young workers. Last but not least, to motivate remote workers to nurture wholesome office relationships among themselves, employers could develop structured team-building activities that focus on workplace relationships and social support to help in combating loneliness and mental stress. While remote work or gig work has gained popularity, workplace isolation keeps increasing, further stressing lonely young workers. Therefore, team-building programmes can foster a sense of belonging and mental well-being in strengthening workplace relationships and developing trustful relationships, which helps to enhance social inclusion.

## Conclusion

Young workers are experiencing economic insecurity, financial difficulties, and social exclusion under current labour market circumstances, which has a severe detrimental impact on their mental health by increasing anxiety, future uncertainty, loneliness, and other mental illnesses. Proactive measures in workplace education, housing policy, and workplace culture can assist to moderate these problems, mitigate their long-term effects, and give young people the support and opportunity they need to succeed in today's economies while also promoting a healthier society.

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# 3rd PLACE

## What are the advantages and disadvantages of globalisation for workers in different parts of the world?

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Business Economics with a Placement Year

**Introduction**

The concept of globalisation has provided us with the modern world we understand today, being a major catalyst for time-space compression and economic growth. The Organisation for Economic Cooperation and Development (OECD) defines globalisation as “the geographic dispersion of industrial and service activities” and “the cross-border networking of companies”, which directly relates to economic growth (in most nations) as well as time-space compression through the rapid advancement of technology; via the ability to transfer information, people (travel) and resources at a lower cost. By time-space compression, I refer to the increase in access to instant information and ease of transfer of resources between countries and continents. As will be discussed in this paper however, globalisation is not without its imperfections, most notably upon societies and workers. The intention of my research is to gain analytical insight into whether globalisation has led to a net social benefit for the world or has played a significant detriment allowing for more harm than good. To deconstruct this argument, I will analyse in depth what I believe to be the most significant points to consider on both sides of the argument.

**Employment Opportunities**

A highly significant product of globalisation has been the rise of global employment opportunities, supported by the time-space compression theory proposed by Robert Dodgshon's 1999 paper 'Human Geography at the End of Time?'. Dodgshon's research suggests that time-space compression alters the way in which we interact with our surroundings, including how travel has become more accessible, thus influencing global communication, transportation, as well as connecting places that may formerly have been relatively isolated. The examples of this point are countless in the modern world, but the role of employment mobility, paired with awareness of opportunities through communication, allows for changing migration rates over time in correlation with technological advancements.

Italy's economy has significantly benefited from globalisation, specifically the ability for tourists to enter due to time-space compression. In terms of GDP, tourism has contributed a majority share of GDP and consumer spending to their economy for over 30 years, and provides many employment opportunities as a result. Broadly, as an advanced country with a strong economy, Italy is a western European hotspot destination for migrants to travel to for both economic migrants and refugees alike. The awareness of employment opportunities and ease of means of travel has led to the fact that Italy has a net positive migration figure, in correlation with their strong economy. Employment opportunities themselves are created through various means, such as foreign direct investment into the tourism industry and travel companies to seize the arbitrage opportunity available. When multinational corporations invest into a country they naturally create jobs in the host country, for example travel guides, hotel staff and many more. The detriment to Italy now though is due to overpopulation and increased competitiveness in the job market, where income inequality can be expected to rise according to the work of Helpman and Krugman.

Conversely, following the Soviet Union collapse, Romania joined the EU and has remained since. Due to the ease of migration, the result for Romania has been a net negative in the case of a brain drain, where there is a net decrease in migration due to an increasing number of youths emigrating in search for better opportunities. Despite the benefit of almost £2bn per year in remittances, the impact on society has resulted in an aging population which have left many gaps in the Romanian labour market. This alone is incredibly dangerous where GDP falls and has the potential to perpetuate assuming a negative feedback loop is present.

**Exploitation of Labour**

Considering labour again in terms of globalisation, we have seen in some cases the rise in exploitation through outsourcing and foreign direct investment. Cases such as in Vietnam, where children and adults alike work unsustainably long hours at low wage rates to support their cost of living, show how exploitation has been the result of low education levels paired with an abundance in the supply of labour (World Bank, n.d). Multinational corporations enjoying economies of scale and the privilege to invest worldwide see significantly lower operational costs, resulting in higher profit margins. Despite the financial marginal private benefit, there exists a significant social impact where quality of life, health levels and development are all stunted at the hand of the system in place (Ricardo, D, 1817). The global trend of labour exploitation in developing countries has allowed for a rise in income inequality, where the workers in said developing nations remain poor whilst the rich exploiters continue to become richer at the expense of the latter.

This theory of exploitation can be explained by 2008 Nobel Prize winner Paul Krugman's New Trade Theory, where international patterns of trade are influenced by relative economies of scale, natural resources and network effects. The rise of the global economy idea through globalisation has allowed for increased competition, which benefits consumers but also can concentrate wealth and market share for dominant multinationals. Krugman's research suggests that workers in industries such as technology which benefit from economies scale (trade agreements as seen in the extraction of precious metals for production from the DRC to the USA) will gain the benefit through higher wages and opportunities. Whereas more labour-intensive industries such as manufacturing encourages outsourcing and job displacement. The cycle ensures that the developing countries remain poor in order for the developed countries to continue to extract cheap labour and commodities.

**Outsourcing and the Developed World**

As mentioned briefly above, the role of outsourcing (production abroad and imported) has allowed for significant cost reductions for multinational corporations large enough to extract them. Despite the working conditions and long hours, and considering the abundance of labour, the benefit could be argued that income is injected into their local economies, aiding development through the multiplier effect (Rodrik, D, 2017). Globalisation has allowed for outsourcing to take place as a result of improvements in technology (remote working) and improved access to education to be able to learn new skills for the global career market.

The impact to consider now is the role of outsourcing on the domestic market of the multinational firm, where relatively low skilled jobs are made redundant in the domestic market in favour of replacement by aforementioned cheaper labour in developing countries (Bhagwati, J, 2004). Whilst cost reductions are favourable and rational for firms, this can come at the expense of society with unemployment rising as a result, where jobs are removed from the labour market entirely. This does benefit the foreign nation where they essentially receive an investment, but for the domestic economy this can be considered an import in replacement of an export, which substantially impacts a nations aggregate demand and GDP figure along with balance of payments – unfavourably. Rising unemployment levels are good for no one, and an outright burden on the economy (Sachs, J. D. 2005).

Examples of this case are present in the manufacturing and IT services sectors as a given, but an interesting point to mention is that this outsourcing issue is also prevalent in the financial services industry too. Across the US, UK and other developed nations, basic accounting services are being completed by teams in India and south Asia at a fraction of the cost of domestic skilled workers. This has been seen most in firms like the Big 4 accounting firms KPMG, EY, PWC and Deloitte. While there is little risk of collapse in the financial sector, this issue paired with the rise in AI does pose a threat to low skilled domestic workers within the sector and provides a barrier to entry to an already competitive job market.

Therefore, it is clear that outsourcing is not a pure benefit for the domestic market, nor the foreign market either.

## Conclusion

Ultimately, there is no clear winner to globalisation for workers. There exist cases where developing countries benefit more than developed ones and vice versa. However, it is safe to conclude that developed nations do benefit more through economies of scale, debatably tying back to colonialist roots of some developed nations. Workers on average enjoy better quality of life in developed nations, through higher wages stronger economies, but are at risk of unemployment and subject to the threat of inflation. Workers in developing countries enjoy some benefits of globalisation where they are able to grow their economies by adopting the outsourced jobs, but still do not enjoy the same quality of life seen abroad.

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# 1st PLACE

## What effect does economic uncertainty have on international collaboration, and how has this changed since the COVID-19 pandemic?

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**Introduction**

Economic uncertainty is a pervasive force that significantly influences the dynamics of international collaboration. This essay examines the multifaceted effects of economic unpredictability on global cooperation, particularly in how this relationship has evolved since the COVID-19 pandemic. By analysing the pre-pandemic landscape and comparing it to the current state of affairs, we can gain valuable insights into the changing nature of international relations in times of economic turbulence.

Economic uncertainty refers to the unpredictability and volatility in economic conditions, often characterised by fluctuations in financial markets, trade patterns, and policy environments. This is often driven by various sources, including geopolitical tensions, technological disruptions, and global crises like the COVID-19 pandemic. International collaboration, in this context, encompasses a wide range of cooperative efforts between nations, including trade agreements, scientific research partnerships, global health initiatives, environmental accords, and multilateral governance structures.

## Before the COVID-19 Pandemic

Economic uncertainty, even prior to the COVID-19 pandemic, significantly challenged international collaboration. Periods of economic instability often fostered "My Country First" attitudes, exemplified by "America First," "India First," and "China First," which undermined international cooperation and hindered effective pandemic responses, contributing to a rise in populist nationalism and protectionist policies (Brown & Susskind, 2020). This trend was evident in events such as the US-China trade war and Brexit, which strained international relations.

Economic turbulence has fragmented global trade and supply chains. Companies and nations are actively diversifying their dependencies to mitigate risks and enhance resilience. As highlighted in the Trade in Transition Global Report 2024 (Economist Impact, 2024) one prominent strategy illustrating this trend is the "China + 1" approach, where businesses supplement their manufacturing presence in China with operations in at least one additional country. This strategy has evolved into a broader concept known as multi-shoring, which involves diversifying production across multiple countries to reduce reliance on a single source.

Foreign direct investment (FDI) flows have been significantly affected by economic uncertainty. A study spanning 25 years found that policy uncertainty has discernible and significant effects on FDI inflows, with global uncertainty playing a more prominent role than host country uncertainty (Jardet et al., 2023). High levels of uncertainty disproportionately impact FDI, causing firms to reconsider their investment strategies and location choices. This aligns with the findings that firms tend to reduce their prices, employment, and investment relative to prior plans when faced with higher macroeconomic uncertainty (Yuriy Gorodnichenko et al., 2022).

The fragmentation of global trade due to economic uncertainty has led to the rise of "connector countries". These nations, such as Vietnam, Indonesia, Mexico, Poland, and Morocco, have leveraged their strategic positions and competitive production costs to attract financial flows from foreign firms. They have become essential bridges in ensuring the seamless flow of goods and fostering economic stability in an increasingly fragmented global trade environment. The emergence of these connector countries demonstrates how some nations can navigate geopolitical tensions while developing their economies, although this ability varies significantly among developing countries (Tran, 2024).

Furthermore, the impact of uncertainty extends beyond FDI flows and affects firm-level decisions. Studies have examined the effect of uncertainty on firm-level financial decisions, revealing that companies tend to hoard cash and cut dividend payments in response to heightened short-term interest rate uncertainty (Duquerroy et al., 2024). This cautious approach reflects the broader impact of economic uncertainty on business strategies and financial planning.

The implications of economic uncertainty also extend to sustainable development goals (SDGs) and financial markets. Research has explored how economic policy uncertainty affects net foreign direct investment inflows in Asian countries, highlighting the need for policymakers to mitigate the negative effects of uncertainty on FDI and create an FDI-friendly business ecosystem (Zhang et al., 2023). Additionally, studies have investigated the impact of geopolitical risk on financial markets, further emphasizing the interconnectedness of economic uncertainty, investment decisions, and market dynamics (Ölmez et al., 2024).

Economic uncertainty poses significant challenges for long-term collaborative projects, particularly in areas requiring substantial financial commitments like infrastructure development and scientific research. This unpredictability complicates planning and decision-making processes for countries and organizations involved in such endeavours.

In scientific research, economic uncertainty can similarly impact long-term collaborative projects. While specific examples are not provided in the search results, it's reasonable to infer that unpredictable funding environments could lead to hesitation in committing to multi-year research initiatives, potentially slowing progress in critical fields.

**After the COVID-19 Pandemic**

Economic uncertainty has long posed challenges to international collaboration, but the COVID-19 pandemic fundamentally reshaped the global landscape, introducing new complexities while intensifying existing trends. While pre-pandemic uncertainty already encouraged nationalist policies, supply chain fragmentation, and cautious investment strategies, the post-pandemic world has seen an acceleration of these shifts alongside new patterns of economic engagement, resilience-building, and digital transformation. The contrast between pre- and post-pandemic uncertainty underscores the evolving nature of globalisation and international cooperation in the face of persistent instability.

One major difference in the post-pandemic period is the heightened emphasis on economic resilience and self-sufficiency. Prior to COVID-19, economic uncertainty fuelled protectionist policies and the "My Country First" approach, as seen in the US-China trade war and Brexit. These trends have not only continued but intensified, with nations prioritizing domestic supply chain security, industrial policy, and regional trade agreements over global integration. For example, the reshoring and nearshoring movements have gained momentum, with countries like the United States and the European Union implementing policies to reduce reliance on single-source suppliers, particularly from China (Alfaro & Chor, 2023). This has further weakened multilateral trade cooperation and reinforced economic fragmentation.

The pandemic also deepened the restructuring of global supply chains. While pre-pandemic uncertainty had already driven diversification strategies like "China +1," post-pandemic economic uncertainty has led to even broader efforts at multi-shoring, friend-shoring, and regionalized production. Nations and businesses are more acutely aware of the risks associated with over-dependence on any single country, leading to a recalibration of global trade networks. Countries such as Vietnam, Mexico, and India have strengthened their roles as key "connector countries," attracting foreign investment as firms seek alternatives to China.

However, this shift has also increased geopolitical tensions, as economic alliances now increasingly reflect strategic interests rather than purely market-driven decisions (Tran, 2024).

Foreign direct investment (FDI) has remained sensitive to uncertainty, but post-pandemic trends show a greater divergence between developed and developing economies. While pre-COVID research emphasized how policy uncertainty discouraged FDI flows globally, the post-pandemic era has exacerbated this effect in emerging markets, where investors perceive heightened risks due to weaker healthcare systems, political instability, and financial vulnerabilities (UNCTAD, 2023). In contrast, developed economies have seen increased FDI inflows, particularly in sectors such as technology, healthcare, and renewable energy, where long-term strategic interests outweigh short-term volatility. This shift reflects a more selective approach to international collaboration, where investors prioritize resilience and innovation over traditional cost-efficiency considerations.

The financial behaviour of firms has also evolved in response to post-pandemic uncertainty. While pre-COVID economic turbulence encouraged companies to hoard cash and limit investment, post-pandemic uncertainty has reinforced these conservative financial strategies, but with a stronger emphasis on digital and technological adaptability. Firms are not only cutting costs but also redirecting resources toward automation, artificial intelligence, and digital infrastructure to mitigate future disruptions. This adaptation has had a profound effect on global labour markets, as countries with strong digital economies benefit from increased investment while those reliant on traditional manufacturing face stagnation.

Beyond investment and trade, the pandemic-era economic uncertainty has significantly influenced international collaboration in infrastructure and scientific research. Prior to COVID-19, economic uncertainty already delayed large-scale infrastructure projects due to hesitations in financial commitments. However, post-pandemic, the urgency of recovery has led to increased government stimulus spending on infrastructure, particularly in developed economies. The European Union's Recovery and Resilience Facility, the U.S. Infrastructure Investment and Jobs Act, and China's Belt and Road Initiative adjustments all demonstrate renewed commitments to infrastructure despite lingering uncertainty. However, delays and disruptions remain prevalent in developing nations, where limited fiscal space constrains large-scale investment.

In the realm of global health, the pandemic catalysed unprecedented collaboration in research and vaccine development. For instance, the rapid development of mRNA vaccines, such as BNT162b2 and mRNA-1273, was made possible through extensive international partnerships among countries and research institutions (Chen et al., 2023). A notable example is the IMMPROVE project launched by the University of Oxford, which received £8 million in funding from UK Research and Innovation. This initiative aims to develop next-generation COVID-19 and flu vaccines while establishing global networks of trained personnel to better prepare for future pandemics. Additionally, the COVAX initiative has played a crucial role in ensuring equitable access to vaccines for low- and middle-income countries, exemplifying how effective global collaboration can address urgent health challenges (Pandemic Sciences Institute, 2023).

Furthermore, the pandemic accelerated digital transformation globally, highlighting the need for stronger international cooperation in digital infrastructure. There is increasing recognition of the importance of cross-border data agreements to facilitate digital trade and research collaboration. The EU has actively pursued digital partnerships, forming agreements with Japan, South Korea, Singapore, and Canada to strengthen global connectivity. These partnerships focus on areas such as digital transformation, skills development, and creating a safe, fair, and inclusive digital space (European Commission, 2023).

## **Conclusion**

Overall, while economic uncertainty before COVID-19 already posed obstacles to international collaboration, the post-pandemic world has amplified these challenges while also fostering new modes of engagement. The dominant trends of protectionism, supply chain diversification, cautious investment, and selective cooperation have intensified, reflecting a global economy that is more fragmented yet more strategically interconnected. However, the pandemic has also demonstrated the potential for accelerated scientific collaboration, digital integration, and stronger regional economic ties.

It is crucial for policymakers to develop mechanisms that balance national economic resilience with the benefits of global cooperation. New frameworks for trade security, cross-border investment incentives, and digital governance can help mitigate the adverse effects of economic uncertainty. Additionally, fostering multilateral initiatives in public health, climate action, and technological research can ensure that economic turbulence does not entirely dismantle international collaboration but instead leads to more strategic and sustainable partnerships. As uncertainty remains an enduring characteristic of the global economy, adapting to these changes will define the next phase of globalisation and economic interdependence.

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# EXCEPTIONAL COURSEWORKS

04

# Exceptional Coursework

# Do Family Policies Reduce Gender Inequality? A Policy Recommendation To Promote Gender Equality

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## Introduction:

The neoclassical perspective on gender inequality focuses on the differences in economic incentives, productivity, and resource allocation to explain gender disparities in labour markets. While this provides a theoretical foundation for understanding gender inequality, it is limited in addressing the broader social and cultural factors due to its reliance on assumptions such as perfect competition and rational choice (Braunstein, E., 2007). The modern perspective integrates insights that recognise that gender inequality is not just about individual choices and the dynamics of competitive markets but addresses societal norms, institutional biases, and historical inequalities which have an impact on gendered outcomes, whereby structural and societal constraints have been pervasive (Storozhuk and Hoyan, 2018).

Gender discrimination is still seen in the UK economy, with women earning, on average, 7% less than their male counterparts (Office for National Statistics, 2024). This has a significant impact on women and society, as supported by Becker's theory, which suggests that discriminatory employers will hire less efficient workers and, therefore, be less productive. Rooted in the modern approach, family policies play a significant role in reducing gender inequalities by addressing structural and societal constraints. These policies recognise that disparities are not solely the result of individual choices but are shaped by broader institutional and cultural factors. By challenging traditional norms and creating frameworks that support care-giving and work-life balance, family policies aim to mitigate systemic barriers and foster more equitable opportunities. Their importance lies in their ability to influence societal attitudes, redistribute responsibilities, and create environments enabling individuals to engage in professional and family roles without disproportionate disadvantages.

We aim to provide an effective family policy that promotes gender equality by enabling a more equitable distribution of care giving responsibilities between men and women. Using comparative literature, we aim to identify the strengths and weaknesses of other policies and empirical data to inform our family policy recommendation best.

## Comparative Literature Review:

There is a breadth of studies looking at the level of gender inequality, especially around the child penalty and the policies aimed at targeting them. Analysis by Berniell, Inés, et al. in Latin America highlighted a significant motherhood penalty in countries with minimal targeted family policies: women's employment experienced drops of 17–20% after their first child, with no impact on fathers (Berniell, Inés, et al., 2023). The findings underscore the critical role of government intervention in reducing the economic costs of motherhood, though the effectiveness of these policies varies by type and country. For example, a family policy implemented in Spain, which provided fully subsidised full-time public childcare for 3-year-olds, led to a substantial rise in maternal employment. Approximately two mothers entered the workforce for every ten additional children enrolled in public childcare (Nollenberger and Rodríguez-Planas, 2015). Further evidence supporting the positive relationship between public childcare and increased maternal employment is highlighted in Bauernschuster and Schlotter's study undertaken in Germany.

The research demonstrated that access to public childcare significantly enhanced a mother's likelihood of employment and led to an average increase of 14.3 hours in a mother's weekly working schedule (Bauernschuster and Schlotter, 2015). In Norway, however, they found minimal benefits as the expansion of public childcare replaced existing childcare arrangements rather than encouraging new labour market participation (Haynes and Mogstad, 2009). Therefore, the effectiveness of the policy is based on the availability and cost of existing alternative childcare options.

An alternative family policy was investigated in California with the introduction of an unrestricted Young Child Tax Credit that allowed mothers to claim the full $1,000 once they had submitted a tax return. After implementing the policy, they found that only 0.06% of mothers left the labour market (Goldin et al., 2024). Although participation did not increase, this paper supports open access to financial aid as it can help alleviate burdens such as childcare costs without affecting workforce participation, which was an issue of concern. However, Finland's homecare allowance policy (Gruber, Kosonen and Huttunen, 2023) showed that there was a significant impact on the child penalty to mothers in both the short and long run, with an increase of €100 to the allowance, leading to a fall in maternal work by 1.6%, when the child is one year old. Therefore, providing financial support to primary carers has varying effects across different countries and regions. Evaluating these policies in terms of the labour force participation of mothers and their income may be ineffective. These policies may be aimed at supporting mothers wanting to stay at home and raise their children but would need to work without financial support. Considering gender equality in terms of opportunity and choice, these policies support the option of staying at home when deciding to raise a family.

We have primarily discussed supporting mothers by providing financial support or alternative care options. A different approach is encouraging fathers to take paternity leave, reducing the time mothers must take off. In Spain, the introduction of paternity leave led to an 8% rise in maternal employment and fostered a more egalitarian distribution of family roles. A shift in cultural norms is challenging to achieve and can have a broader impact on gender equality beyond the labour market. Despite its strong significance, this policy was only effective in households with intermediate wage gaps. Those with a high or low wage gap did not experience similar results (Gonzalez and Zoabi, 2021).

Another example is Austria, which used a difference-in-difference approach like that of the previous countries we have assessed, as it provides a valuable case for studying the impact of family policies on gender inequality. The country, which has traditionally adhered to conservative gender norms, introduced key reforms in parental leave, childcare support and tax benefits designed to help families, especially women, balance work and care-giving responsibilities. Over the studied period, these policies succeeded in increasing female workforce participation. However, women continued to be concentrated in lower-paying or part-time jobs due to care giving obligations and the gender wage gap remained. The policies did not solve these issues because many women's careers were disturbed by maternity leave, which took longer time for promotions and lower lifetime earnings. Austria also introduced policies focusing on men taking parental leave, such as the use-it-or-lose-it paternity leave.

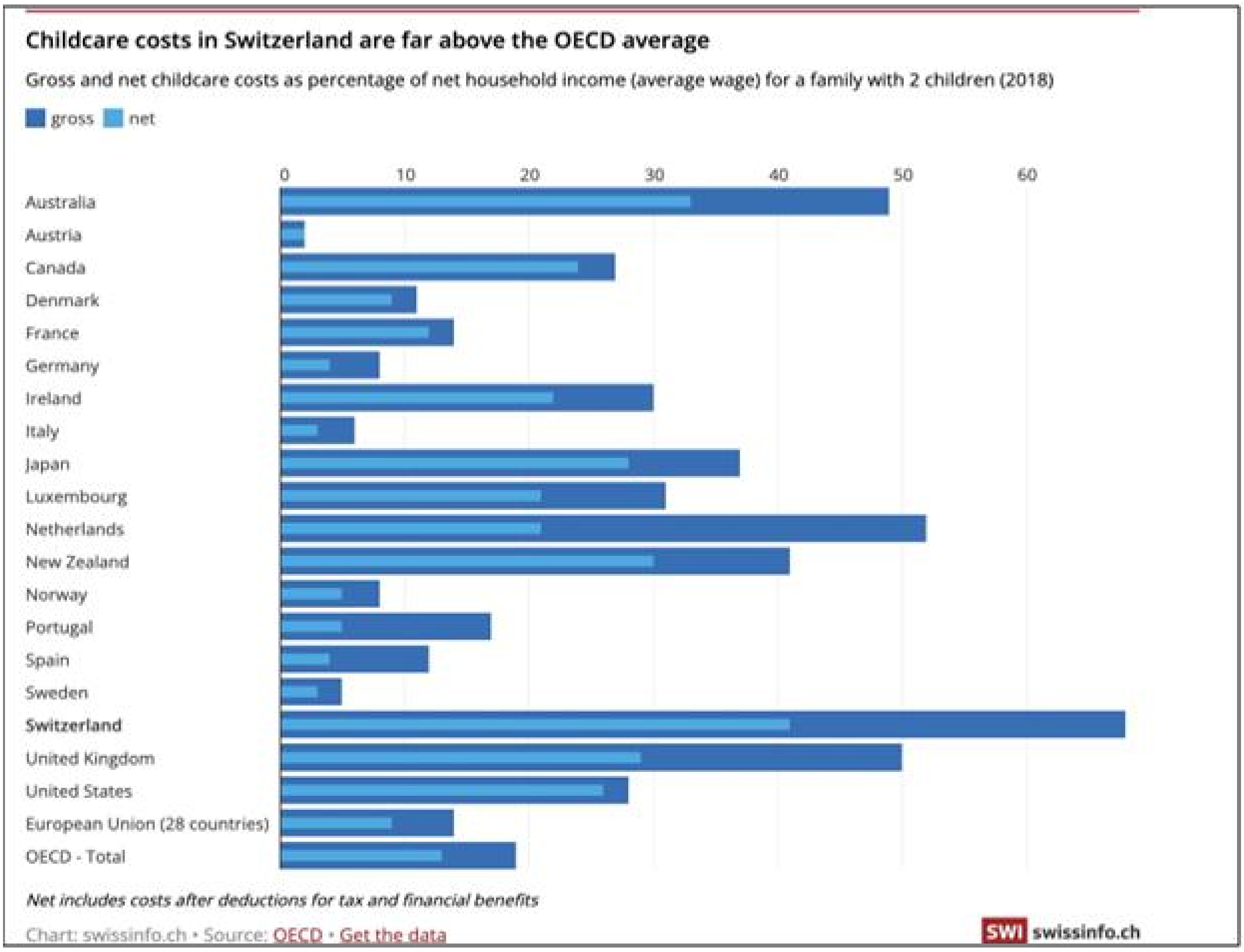
While these policies were planned to shift care giving responsibilities, their success was not as what was expected because there were cultural norms that still expected women to carry most care giving duties, as well as workplace stigma that discouraged men from taking complete advantage of parental leave (Kleven et al., 2024). The research found that the proposal of the below policies was critical. Policies that are gender-neutral and promote shared care-giving responsibilities, like non-transferable paternity leave, proved more effective than before in terms of reducing inequalities. In contrast, poorly proposed policies such as extended maternity leave without equal paternity leave build up on the existing stereotype that care-giving is primarily a woman's role (FOR THE WORLD, 2021).

Austria's example demonstrates that in the 60 years that we have studied, although the gender wage gap has decreased, the real reason for this progress was not solely effective family policies. It was the broader changes in the labour market and societal norms. This suggests that family policies need to go beyond addressing work-family balance and focus on challenging traditional gender roles, promoting shared care-giving, and tackling workplace biases that disadvantage those who take on care-giving responsibilities, such as through innovative approaches like job sharing, which has been shown to benefit both employees and organisations. A 2011 study by Lucy Daniels explored the feasibility of job sharing across various roles, gathering 303 responses through quantitative and qualitative methods. It revealed that 87% of participants viewed job sharing as a decisive factor in remaining with their company, emphasising its importance. The research highlighted successful job sharing across diverse roles, including sales, client-facing positions, leadership, and team management. Notably, 71% of job sharers seeking promotion achieved it, demonstrating the viability and benefits of job sharing in the workplace (Daniels, 2011).

## Policy Suggestion and Conclusion

In summation, we believe that policy should target the child penalty and maternal employment and challenge the current gender norms around childcare. Therefore, one of our policy recommendations is the introduction of means-tested subsidised public childcare due to its high costs in the UK, as seen in Graph 1. By means testing, we reduce the policy's overall cost whilst maximising its effect on labour supply. An article about female part-time work in Switzerland (Plüss, 2019) found that mothers were required to work at least part-time to afford the high cost of childcare. The article continues that the key to gender equality is that society needs to make it possible to balance work and caring for children because it makes economic sense. This ties nicely into our second family policy; legislation that requires companies to offer job-sharing as an option for new parents after their parental leave has ended. One challenge policymakers face when implementing the policy is the uptake, especially among men, to take decreased hours, as seen in Switzerland (Franziska Pfister, 2024). Policymakers may also struggle to identify and penalise firms that fail to implement and support Job-sharing legislation. Requiring firms to announce the number of employees participating in job-sharing schemes and how this is split across genders, like the current requirement for firms to publish the gender split, could incentivise uptake. Government intervention via legislation and law has led to significant changes in social norms (Galbiati et al., 2021); a great example of this is the introduction of a smoking ban in public places, which significantly reduced smoking in private homes (Nyborg and Rege, 2003). Similarly, we can introduce initiatives that can reduce societal discrimination against mothers, diminishing the perception that child-rearing is solely a woman's duty, leading to a cultural shift toward shared responsibilities.

**Graph 1:**



Childcare costs in Switzerland are far above the OECD average
Gross and net childcare costs as percentage of net household income (average wage) for a family with 2 children (2018)
gross
net
0
10
20
30
40
50
60
Australia
Austria
Canada
Denmark
France
Germany
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
United Kingdom
United States
European Union (28 countries)
OECD - Total
Net includes costs after deductions for tax and financial benefits
Chart: swissinfo.ch • Source: OECD • Get the data
SWI swissinfo.ch

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# Development Economics Country Report: Nepal

## Levelling the Playing Field: Report on the State of Development in Nepal

Anna Grasso

Development Economics 2024 - 2025

## Introduction

Protected by the Himalayas, Nepal has an expansive political history marked by unrest, inequality, and widespread poverty. The decade-long civil war between the Maoists and the government began in 1996 (Basnett, 2009). Despite successfully removing the monarchy, Nepal failed to achieve political stability during its first attempt in 2008, and the federal constitution did not formally come to fruition until 2015.

This paper will examine how political unrest has shaped Nepal's economic and human development, using various indicators and data from the World Bank and the National Planning Commission. By applying empirical analysis, this report will highlight the critical areas for growth and progress as well as explore the interconnected dynamics of these sectors.

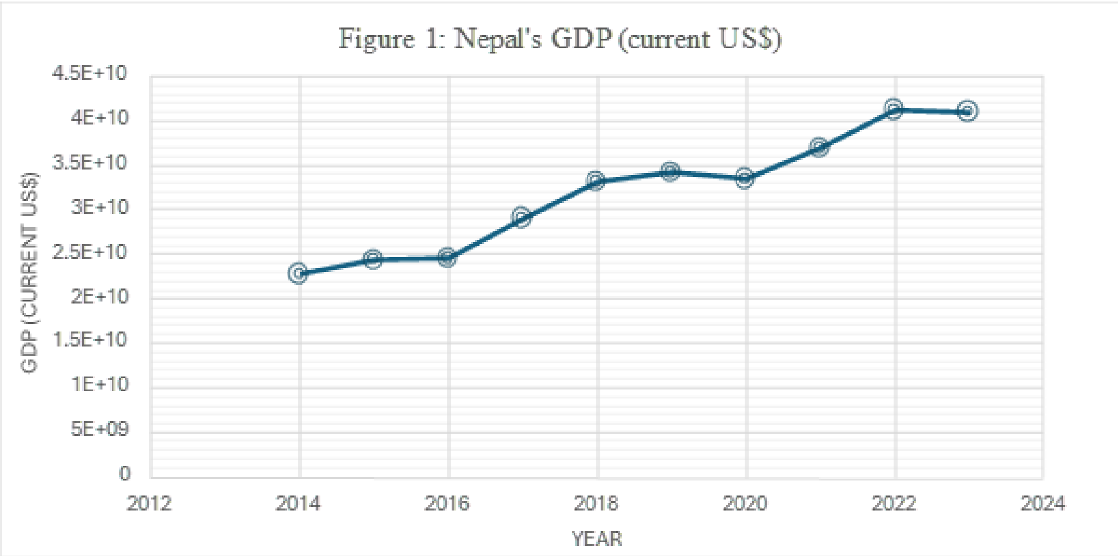
Nepal's advantageous geography has positioned it as a leader in hydropower, aiding its environmental and economic objectives. Due to the unstable political system and frequent Maoist attacks, investments are insufficient and often redirected towards government security (Aryal et al., 2024; Barai & Heinen, 2024). Hydropower remains a significant industry, contributing to its $40.9 million Gross Domestic Product (GDP) as of 2023. In contrast, Bhutan, another Himalayan nation known for its hydropower, had a GDP of $3 billion US$ in 2023 (World Bank, 2023; Sonam et al., 2004), demonstrating the under-utilised potential of Nepal's economy and hydropower.

Although it has made considerable progress despite economic downturns and political instability, the same cannot be said for human development. With a Human Development Index (HDI) of 0.587 in 2019, Nepal is still behind most other South Asian countries and was only marginally ahead of war-torn Afghanistan and Pakistan (NPC, 2020). However, recent improvements in their life expectancy and Gross National Income (GNI) per capita have driven a marginal rise in HDI. These gains are counteracted by the consistently underfunded education system, which hinders further human development.

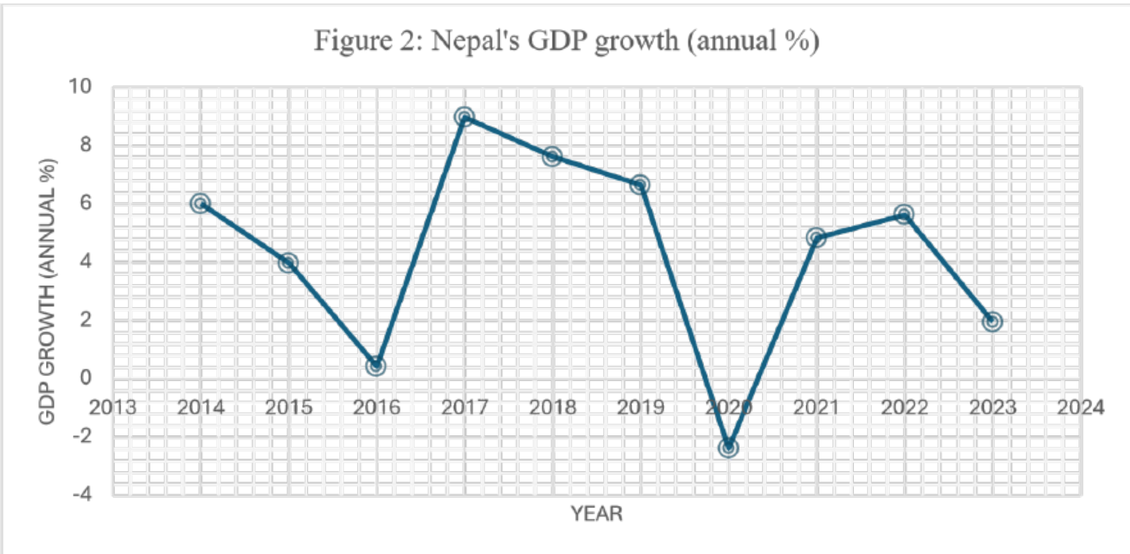
The report will conclude with policy recommendations to promote equitable and sustainable growth, addressing Nepal's unique challenges and opportunities in achieving its development aspirations.

## Economic Development

Although Nepal’s absolute GDP increased from 2014 to 2023, as shown in Figure 1, it has had to survive two critical shocks to its growth, as illustrated in Figure 2. The first was from 2015 to 2016 when an earthquake hit Nepal. After this, there was a steep increase in GDP growth, partly due to the country's investment in post-earthquake recovery and the boom in tourism (Rijal, 2016). The second was in 2020 due to COVID-19, contributing to an estimated 1.6 to 2 million job losses (Dorosh et al., 2023). Combined with their reliance on imported goods and services, Nepal faced exacerbating economic strains when trying to recover (Maskey & Suloja Khadka, 2024).




*Source: World Bank Data Bank, 2023*




*Source: World Bank Data Bank, 2023*

Nepal has a trade-to-GDP ratio of 41%, which reflects its reliance on international trade, as it is known as one of the most open countries in South Asia (Sanogo & Maliki Amadou, 2010). Once broken down, we see that imports dominate this ratio, contributing 34%, while exports account for only 7%, leaving Nepal vulnerable to economic shocks (World Bank, 2023). The country's trade balance is the most disproportionate in South Asia and is still deteriorating (Nepal and Thapa, 2021). Bhutan, Nepal's regional counterpart, shows a much stronger trade balance, with imports contributing to 34.7% of its trade-to-GDP ratio and 25.8% being accounted for by exports, leaving it much less vulnerable.

The growing deficit is primarily due to the reliance on agricultural exports, which remain inefficient and neglected (Raj Pande et al., 2006). The top exported goods from Nepal are soya beans, cardamoms, palm oil and black tea (World Bank, 2020), all of which struggle to compete globally (NPC, 2020). Both the historically centralised government and neglected investment in rural regions have failed to modernise the agricultural industry, reducing the competitiveness of these products.

Agriculture employed 61% of the population in 2022 and has been an area for continuous improvement within Nepal; projects such as the Agricultural Perspective Plan intended to modernise and commercialise farming (World Bank, 2023). Regardless of these attempts, Nepal's industry suffers for several reasons, including restricted access to modern farming technology and limited investment in agricultural research (NPC, 2020).

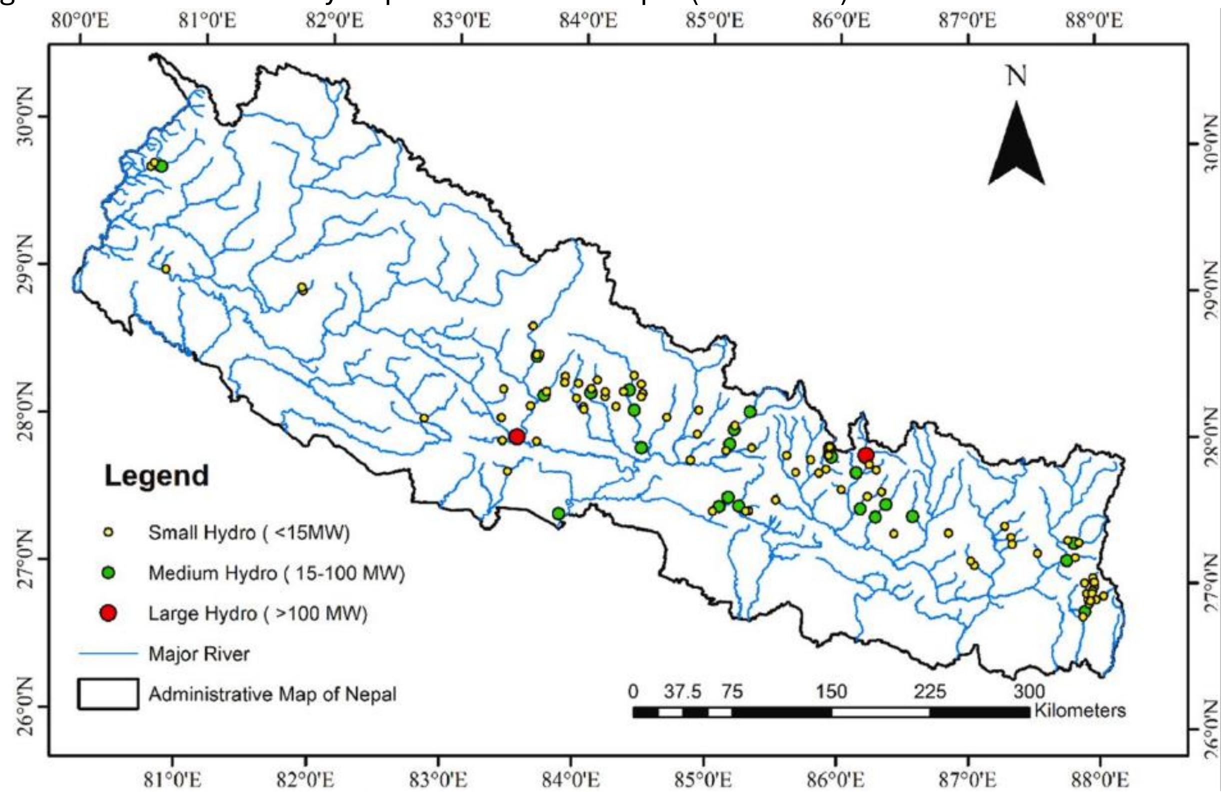
Bangladesh has transformed its agricultural industry from a food-deficit nation, like Nepal, to a food surplus (World Bank, 2023; Mainuddin & Kirby, 2015). This transformation was achieved through policies such as subsidising seeds and fertilisers, which improved their efficiency. Nepal may benefit from adopting similar policies to modernise the agricultural sector. By subsidising favourable inputs and prioritising research, Nepal can encourage specialisation to reduce inefficiencies and ensure sustainable growth. Additional emphasis on cash crops may make them more competitive in the international market and boost agricultural trade. Addressing these challenges is particularly important if Nepal wants to specialise in agriculture in the long run, as there has been an 11.8% decrease in employment from 2000 to 2022 (World Bank, 2023).

On the other hand, industrial employment has risen by 5.5% (World Bank, 2023), partly driven by hydropower. Nepal's hydropower investments can be traced back to 1911, when the first hydro-plant was established to utilise the plethora of high-flowing rivers and combat domestic energy shortages (Adhikari, 2021). Political turmoil has resulted in intermittent investments; however, the 'Build, Own, Operate and Transfer' (BOOT) policy in 2019 aimed to alleviate this problem by attracting private investors to build and operate hydro-plants before transferring them over to the Government (Aryal et al., 2024).

Nepal's neighbours, India and Bangladesh, face considerable power shortages, opening a lucrative energy trading opportunity. However, the ability to capitalise on this potential is hindered by systemic issues. The Nepal Electricity Authority (NEA) suffers from inadequate planning and an over-reliance on the monsoon season, leading to inaccurate production forecasts and increasing the risk of investment and trade (Aryal et al., 2024).

In addition, the distribution of hydropower plants is concentrated in the Eastern and Central regions, leaving the Western region underdeveloped, as seen in Figure 3. Furthermore, excessive bureaucracy surrounding the BOOT process delays project completion, deters further investment, and limits expansion (Tripathi & Shrestha, 2018). Moreover, to exacerbate this project's challenges, an estimated 60% of the population still lacks sufficient electricity (Adhikari, 2021). This further highlights the need for equitable energy distribution before pursuing large-scale exporting agreements, making robust trade relations a long-term goal for Nepal.

Figure 3: Distribution of Hydropower Plants in Nepal (as of 2022)




*Source: Aryal et al., 2024*

To improve investment equality and attract Foreign Direct Investment (FDI), the BOOT policy could be revised to make hydropower investments more appealing. One improvement is to streamline the bureaucratic process of obtaining licences and approvals; this can reduce administrative delays and increase efficiency. Expanding the policy to include regional-specific incentives such as tax breaks or subsidies in underdeveloped Western regions can balance investment distribution and promote equitable development. Incorporating the local communities when undergoing this expansion is also key, as it will minimise resistance and promote long-term stability in rural areas.

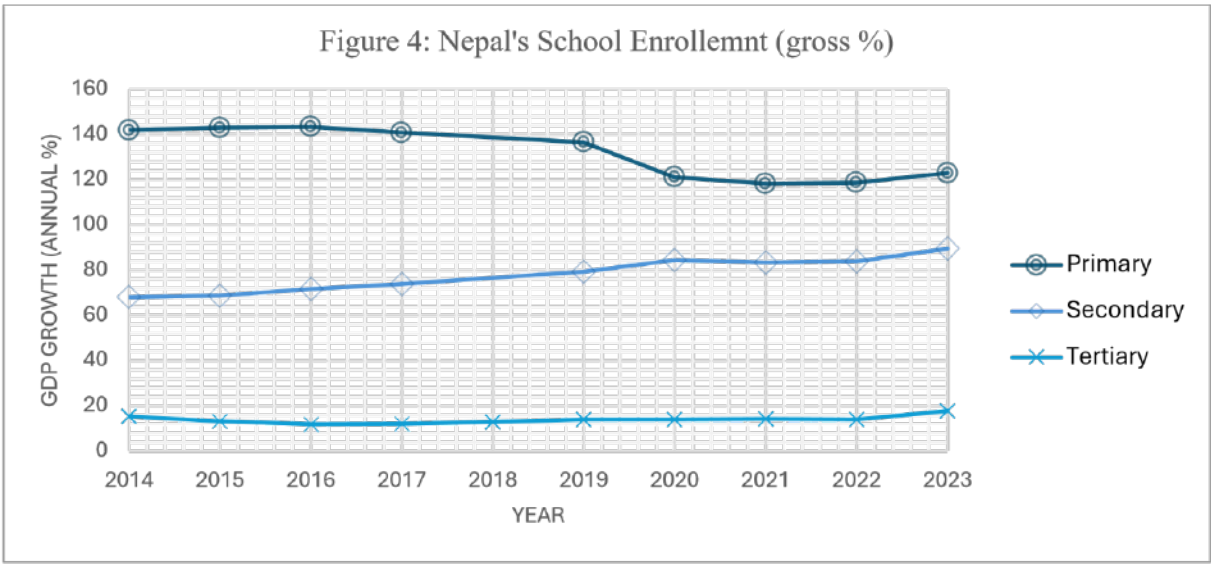
Strengthening cross-border energy trade with these nations can further enhance Nepal's hydropower potential and boost FDI inflows. In 2023, Nepal’s FDI stood at only 0.18% of GDP, similar to Bhutan’s 0.29% in 2022 (World Bank, 2023). By making investments more appealing and improving regional trade opportunities, Nepal can position itself as a key energy exporter while significantly increasing foreign investments and economic development.

## Human Development

Human development refers to the positive growth and change in human well-being – collective and individual – across various categories: economic, social, political, cultural, and environmental (Raj Pande et al., 2006). One measurement designed to capture human development is the HDI, which analyses life expectancy, expected years of schooling and income using the Gross National Income (GNI) per capita.

Nepal has notably increased its HDI from 0.399 in 1990 to 0.602 in 2021 (United Nations, 2022). This growth can partly be attributed to the rise in life expectancy by 15.7 years (World Bank, 2023) and the 27.7% increase in GNI per capita. As seen in Figure 4, the uptake of primary education exceeds 100%, 115% as of 2023, due to the intake of mature students and late enrolment. However, this progress is sharply contrasted by the expected years of schooling, which was just 4.9 years in 2019 (World Bank, 2023).

Secondary and tertiary participation lags behind, impacting the average number of years of schooling. The benefits of education appear to be diminishing, suggesting that working may be more advantageous for children than secondary or tertiary education, as they can contribute to household income. In 2014, 44% of female and 41% of male children aged 7-14 were employed (World Bank, 2023). These statistics accentuate the essential improvements that need to be undertaken to increase the perceived long-term value of education within Nepal.



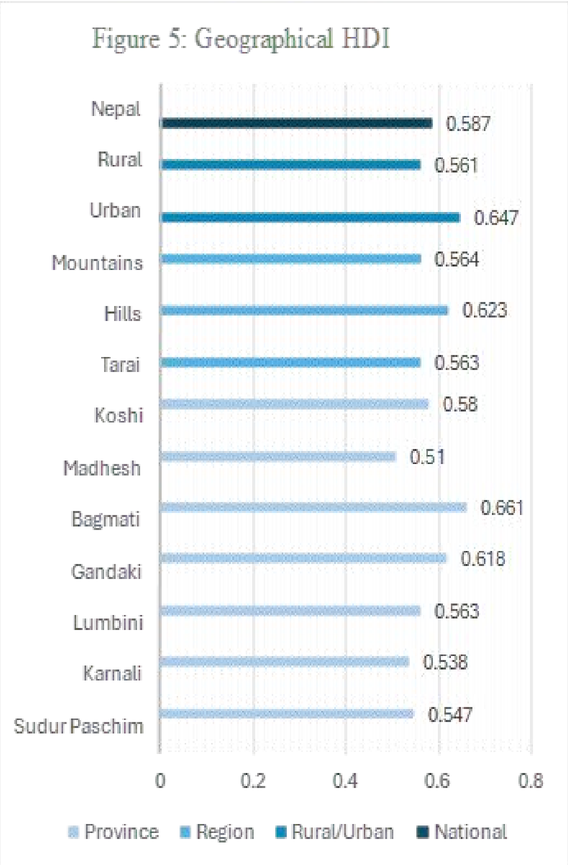

*Source: World Bank, 2023*

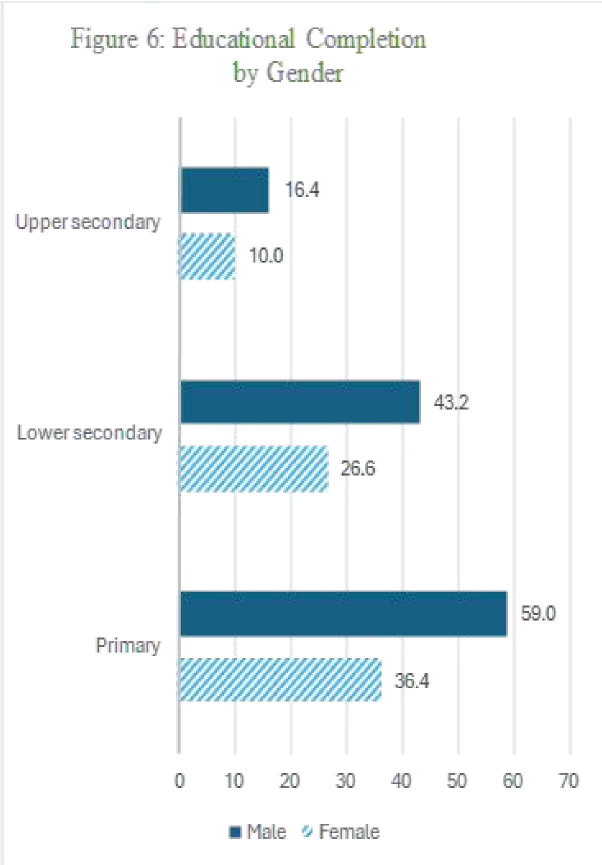
The traditional labour divide in Nepal disproportionately affects girls, who are more likely to drop out of education in favour of farming and live-stock activities (NPC, 2020). Such gender disparities are reflected in education completion rates, as seen in Figure 6. An additional 6.4% of men complete their upper secondary education, and this divide expands at lower levels of education, with 22.6% more men completing their primary education.

Regional differences due to mismatched investments reinforce these educational and gender discrepancies. Such differences can be seen in the uptake of private education, which attracted nearly 27% of all secondary students in 2005.
This shift is attributed to the superior quality of education, as evidenced by the SLC pass rate exceeding 80%, compared to the less than 40% pass rate of public schools (Shields & Rappleye, 2008).

Comparatively affluent provinces such as Bagmati, in the country's centre and home to the capital, Kathmandu, have the highest HDI, at 0.661, as seen in Figure 5. Provinces in the country's western region, such as Karnali and Sadur Paschim, have significantly lower HDIs. While analysing the HDI among regions can provide some insight into the spread of inequality, it is limited by its formula, which does not traditionally consider inequality. Alternatively, the inequality-adjusted HDI anticipates that 25% of human development was lost due to inequality in 2018, greater than the global average of 20% (UNDP, 2019).

The Gini coefficient is an alternative measure of inequality focusing on income distribution.



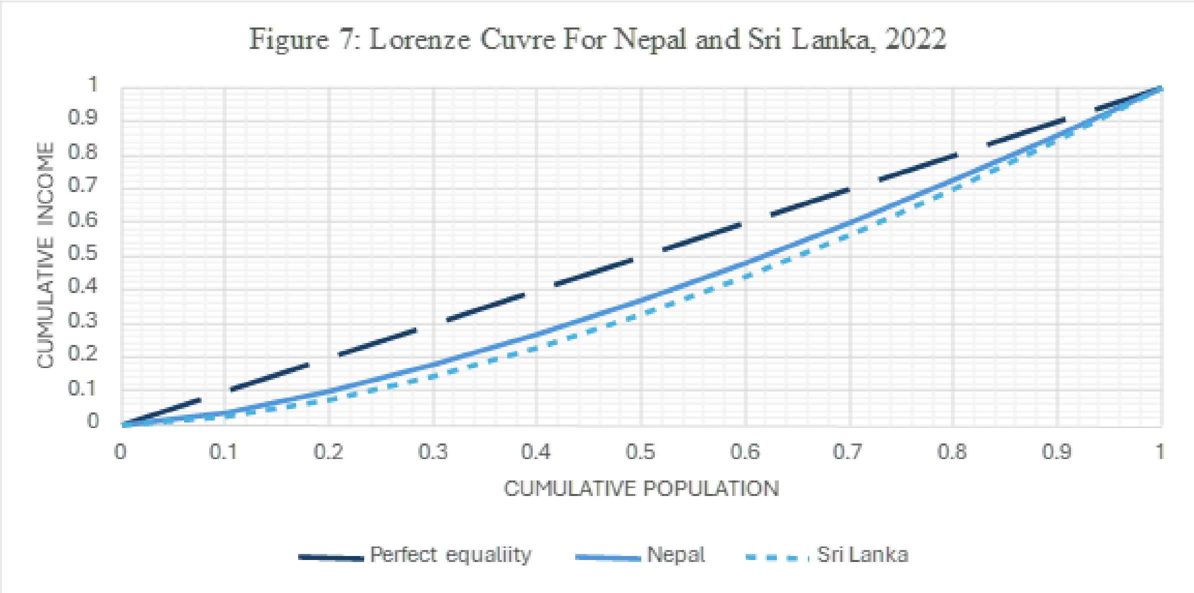




*Source: National Planning Commission (NPC), 2020* *Source: World Bank, 2021*

Nepal's Gini coefficient was 30 in 2022, only moderately higher than Bhutan's, which is 28.5. This indicates that inequality remains a persistent challenge within South Asia. For comparison, Sri Lanka recorded the highest level of inequality in South Asia, with a Gini coefficient of 37.7. Figure 7 below illustrates this graphically, with Sri Lanka only marginally below Nepal.

The COVID-19 pandemic significantly impacted those in vulnerable sectors of society and exposed the weak support of the health sector. Traditionally, education and welfare have been disproportionately accessible in rural regions and to those living in poverty.
COVID-19 intensified these as only 73% of Nepal's people have internet access, and only 13% of the schools can offer online classes (NPC, 2020).

As a result, the Lorenz Curve in Figure 7 is expected to bow further away from the line of perfect equality. This reflects the widening income and opportunity gaps between rural and urban regions, partly due to the loss of education.




*Source: World Bank, 2022*

The Tarai regions in Nepal have high population densities but relatively low pressure on the farmland due to the advanced infrastructure. Opposed to this are the mountainous areas, which have a relatively low population density but high pressure on the farmland, while the hill region resides between these two (Chhetry, 2001). The geographic contrasts are also reflected in the poverty headcount, with 51% in Karnali living on \$1.90 to \$3.20 a day in 2014, while in Bagmati, this is 12.2%. These regions of high poverty also align with those in deprived areas of schooling and nutrition (NPC, 2020).

Poverty in rural areas is partly motivated by dependence on stagnant agriculture, which remains the primary source of income and employment, as seen in Madesh, an agricultural-based province (Joshi et al., 2010). However, these discrepancies are not just geographic but also reinforced by Nepal's historical caste-based system. The Dalit population remains among the poorest in Nepal due to their political exclusion and hindrance from socioeconomic opportunities (Rao, 2010).

The collection of political negligence, high population pressure on concentrated regions of land, social norms surrounding the caste system and gender roles, and targeted investments have led to a divergence in human development within Nepal.

Vulnerable and harsh agricultural environments, combined with low rural income, can often encourage migration from rural regions to urban areas, where individuals anticipate higher earnings (Chhetry, 2001; NPC, 2020; Espíndola et al., 2006).
Many of those who migrate are absorbed by the informal sector, which has weak job security, low wages, and limited opportunities for human development or career progression (Adhikari 2024). The recent pandemic has further exposed the delicate nature of these jobs, leading many into poverty during economic downturns.

Nepal must ensure equitable development to reduce rural-urban migration and improve the living standards in rural regions. To achieve this, Nepal may provide smallholder farmers with modern agricultural inputs, which, as expanded on previously, was successful in Bangladesh (World Bank, 2023). Focusing on hydropower development in rural regions has the potential to create additional job opportunities. However, without substantial investment in education and skill development, Nepal will lack the rural human capital necessary to leverage these opportunities fully.

## Concluding Remarks and Policy Recommendations

Nepal’s development history is shaped by interactions between politics, geography, and socioeconomic norms. Future progress relies on equitable development across its seven provinces.

Decentralising fiscal policy can enable sub-national bodies to tailor investment to particular provinces, as seen in Peru's success (Werner & Santos, 2015). However, studies indicate that decentralisation can also increase income inequality in developing regions, though research is sparse (Ezcurra & Rodríguez-Pose, 2013; Kyriacou et al., 2015).

An Equality clause can be added to the constitution or key policies to progress in the short term, promoting equitable resource distribution and preventing marginalisation (Drew & Ryan, 2018). Investing in training for sub-national offices is also essential to enhance their capacity for managing public policy and finance.

As advancements in Bhutan’s renewable energy sector demonstrate, Nepal's economic growth can benefit from developing hydropower (Sonam et al., 2004). Streamlining the BOOT project is necessary to minimise bureaucratic delays and ensure a diverse distribution of hydro plants. Additionally, storage projects can enhance supply reliability, attract investment, and reduce risks (Aryal et al., 2024). These measures support Nepal’s goal of becoming carbon neutral by 2045, a vital step toward industrialisation.

According to Rostow’s Growth Theory, investing in hydropower can propel Nepal from the "pre-conditions for take-off" to the "take-off" stage of economic growth, spurring industrialisation and urbanisation.

Effective implementation depends on strengthening human capital; a skilled workforce is crucial for modernising hydropower and agriculture. Reforming the education system, especially in rural areas with high child labour rates (World Bank, 2023), is also essential. Moreover, customising educational strategies for each province can enhance skill development to align with local economic needs and shortcomings in current educational attainment.

These reforms create a comprehensive strategy to advance Nepal through Rostow's growth stages, recognising the link between politics, industrial, agricultural, and human development for sustainable growth.

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# Development Economics Country Report: Iraq

Leanne Kendeel

Development Economics

## Introduction

Iraq, formerly Mesopotamia, located in the Middle East, shares its borders with Iran, Jordan, Kuwait, Saudi Arabia, Syria and Türkiye, and has an approximate population of around 45 million (World Bank, 2023b). The demographic profile is predominantly urban, with approximately 72% of Iraqis residing in cities such as Baghdad, Basra and Erbil (World Bank, 2023c). However, despite this urbanisation, rural areas still remain important, particularly in the northern and southern regions, where agriculture remains a vital source of livelihood for many (Faihan, 2021).

Iraq's recent history has been shaped by political instability and conflict. After the U.S.-led invasion in 2003, the country experienced significant social and political disruption, characterised by sectarian violence, insurgency and the breakdown of state institutions (Financial Times, 2023). The rise of ISIS in 2014 further destabilised Iraq, leading to widespread destruction, particularly in the northern and western regions, resulting in significant loss of life and infrastructure (Schweitzer, 2017). This period of instability has had lasting impacts on the country's development, obstructing efforts to rebuild and modernise key sectors.

Economically, Iraq is heavily dependent on its oil sector, with oil exports accounting for over 90% of its government revenue and roughly 45.6% of the country's GDP (BDO, 2023). The over-reliance on oil exports has slowed diversification, leaving the economy susceptible and vulnerable to fluctuations in global oil prices (Timour Azhari, 2024). Therefore, Iraq faces significant challenges such as high unemployment rates, underdeveloped non-oil sectors and widespread poverty, particularly in rural communities.

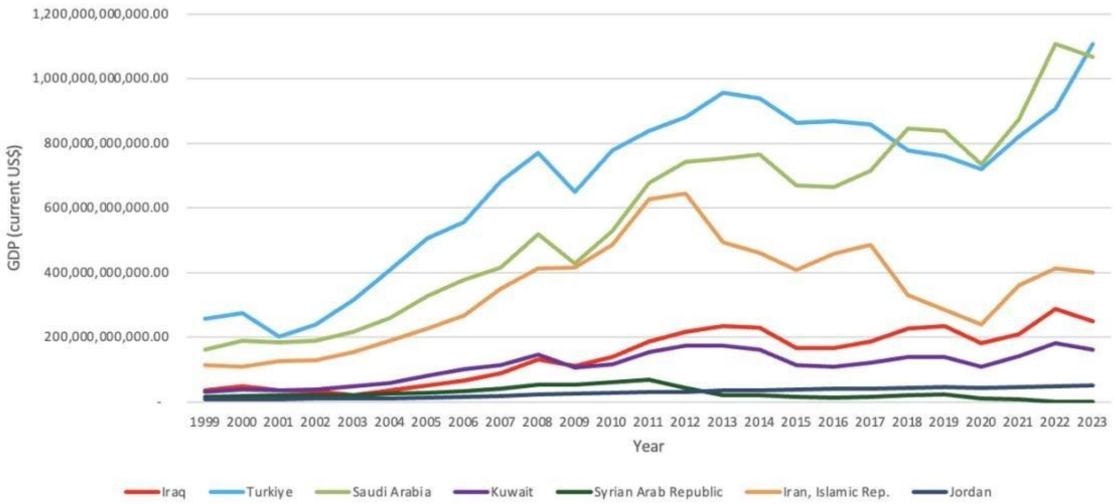
This report aims to offer a comprehensive analysis of Iraq's current development state, by evaluating and assessing key indicators such as economic performance, governance, trade and infrastructure. Based on this analysis, this report will propose policy recommendations aimed at addressing Iraq's structural challenges and promoting sustainable, long-term development.

## Key Development Indicators Analysis

### Economic Development

Iraq’s economic performance, shown in its GDP trends, growth rates and income per capita highlights the issues of resource dependence and conflict. As seen in Figure 1, Iraq’s GDP was estimated to be $250.84 billion in 2023, making it nominally one of the largest economies in the region (World Bank, 2023a).

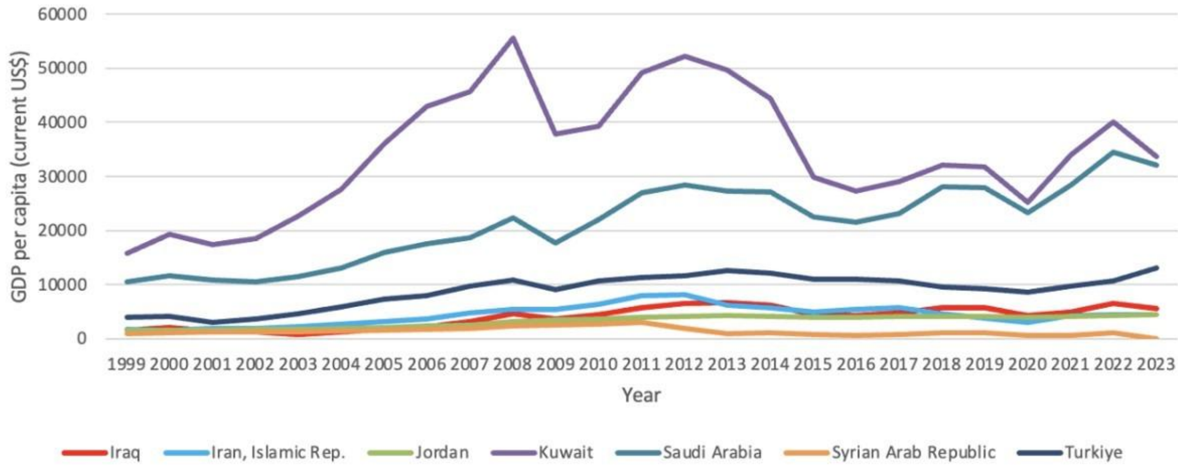
**Figure 1**: GDP (current US$) Comparision with Iraq and Neighbour Nations




***Data Source: (World Bank, 2023a)***

However, the country's economic growth has experienced high levels of volatility due to its significant dependence on oil exports, which account for over 90% of government revenues (BDO, 2023). The growth rate has been fluctuating significantly, illustrating global oil price fluctuations and the impact of ongoing conflict. For example, GDP growth dropped sharply to -12.0% in 2020 during the COVID-19 pandemic and the oil price crash. It later recovered to 7.6% as oil demand increased, but the economy fell into another oil-induced recession in 2023, with growth falling to -2.9% (World Bank, 2015). Regarding the GDP per capita shown in Figure 2, Iraq has fallen behind its peers in the region, where its GDP per capita was at approximately $5565.13 in 2023, far below Kuwait ($33,739.80), Türkiye ($13,105.66) and Saudi Arabia ($32,093.96) (World Bank, 2023d).

**Figure 2**: GDP per capita (current US$) Comparision with Iraq and Neighbour Nations from 1999-2023




***Data Source: (World Bank, 2023d)***

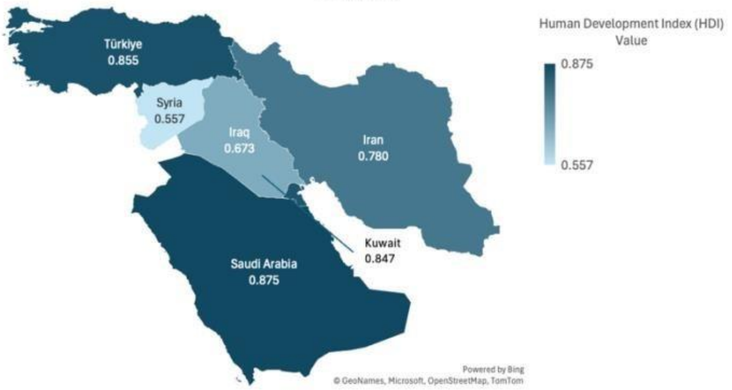
This discrepancy in wealth highlights how Iraq's oil riches have not significantly benefited the broader population, pointing to inadequate diversification and ineffective income redistribution. When compared to conflict-affected Syria and Iran this reveals Iraq's relative economic strength; however, Syria's prolonged war has left its GDP per capita at a small fraction of Iraq's.

Although Iraq possesses substantial oil reserves, its failure to effectively invest in non-oil sectors – such as manufacturing, agriculture and services – has hindered economic diversification (IMF, 2024). This reliance makes their economy susceptible to external shocks. Learning from Iran, which has developed a more diversified economy despite facing international sanctions, could potentially be relevant to Iraq's economic strategy (Harounoff, 2024).

**Human Development**

The Human Development Index (HDI) of Iraq, which is a composite measure of life expectancy, education and income, was 0.673 in 2022 (the world average is 0.739), placing it in the medium human development classification (UNDP, 2023). Figure 3 puts this into perspective, this score places Iraq at 128th globally, falling behind its regional peers Iran (0.780), Jordan (0.736) and Türkiye (0.855). This could be a result of economic instability and conflict, which have played a significant role in restricting advancements in key HDI indicators.

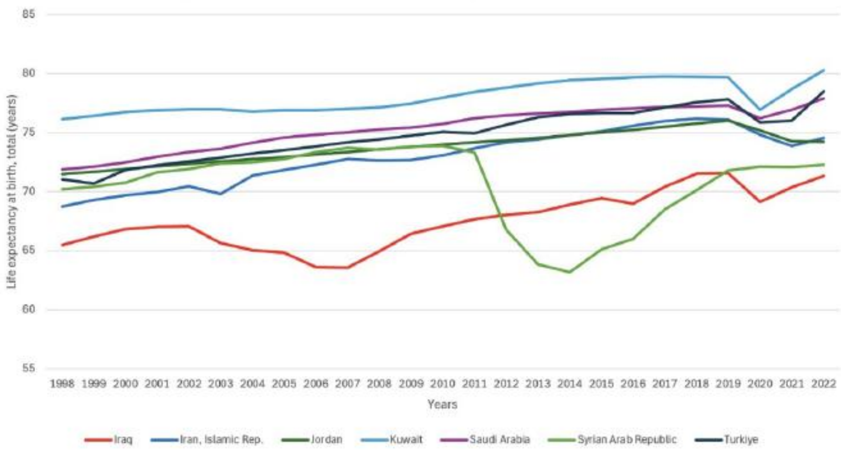
**Figure 3**: Human Development Index (HDI) Value for Iraq and its Neighbouring Countries




***Data Source: (UNDP, 2023)***

As seen in Figure 4 below, the average life expectancy in Iraq is approximately 71.3 years, which has improved since 1998. This is below the global average of 72.0 years and significantly lower than Kuwait's 80.3 years and Saudi Arabia's 77.9 years (World Bank, 2024b).

**Figure 4**: Life expectancy of Iraq and Neighbour Nations 1998-2022

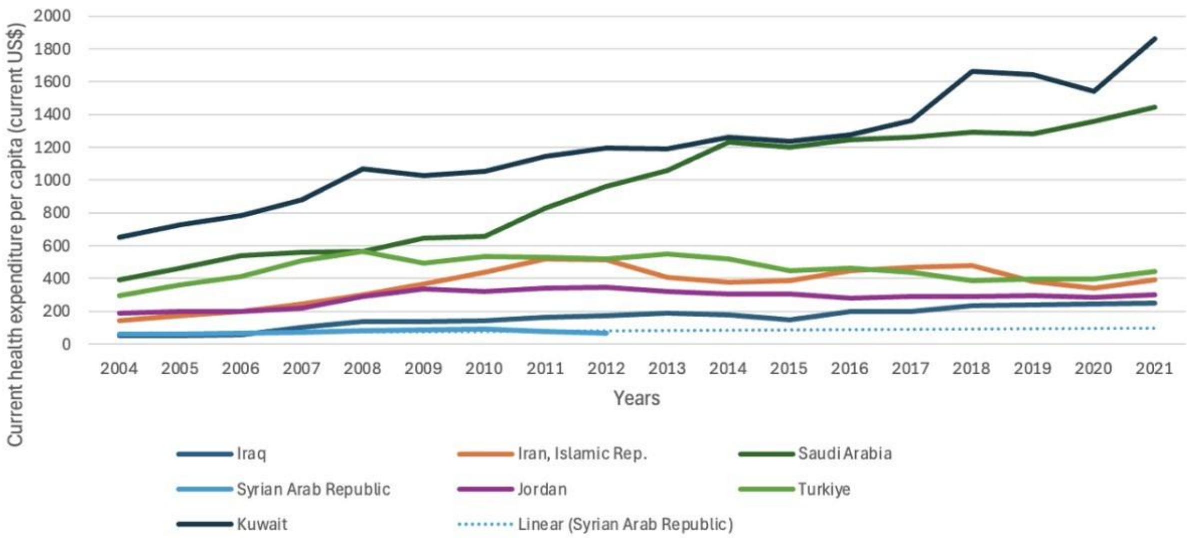



***Data Source: (World Bank, 2024b)***

This is due to the healthcare system being seriously underfunded, and numerous facilities have been wrecked or destroyed due to conflict.

Iraq's healthcare system suffers from underfunding, inadequate facilities and a shortage of qualified professionals, with rural communities facing the greatest challenges in access to care. The decades of conflict have destroyed most health infrastructure, leaving many facilities non-operational (WHO, 2024). As a result, Iraq's per capita healthcare expenditure remains the lowest in the region. In Figure 5, in 2021, Iraq's healthcare expenditure per capita was $248.92, which is low compared to neighbouring countries (World Bank, 2024a).

**Figure 5**: Health Expenditure Per Capita for Iraq and Neighbouring Countries




***Data Source: (World Bank, 2024a)***

The quality of education is another significant issue in Iraq, as it has suffered from years of conflict and underinvestment. The adult literacy rate was at 86% in 2017, but this conceals major inequalities in urban and rural populations, as well as among genders. Furthermore, the ongoing conflict and displacement have severely impacted the access to education for millions. This leads to a fall in the quality of schools and education in many areas. UNICEF reports that approximately 3.2 million children are out of school and highlights that around 90% of children who are from rural and conflict-affected regions are out of school (UNICEF, 2016). Before the Gulf War in 1991, Iraq was known to have one of the strongest education systems in the Middle East, with high literacy rates and free access to education (Guardian Staff, 2003). However, the post-war instability and inadequate funding have led to a decline in this reputation. Currently, educational attainment in Iraq is considerably lower than the regional average (World Bank, 2018), highlighting the need for investments in teacher training, infrastructure and curriculum improvement. Poverty and inequality worsen barriers to development as 11.7% of Iraqis have been pushed below the poverty line because of COVID-19, with rural populations and displaced groups experiencing the highest levels of deprivation (UNICEF, 2020).

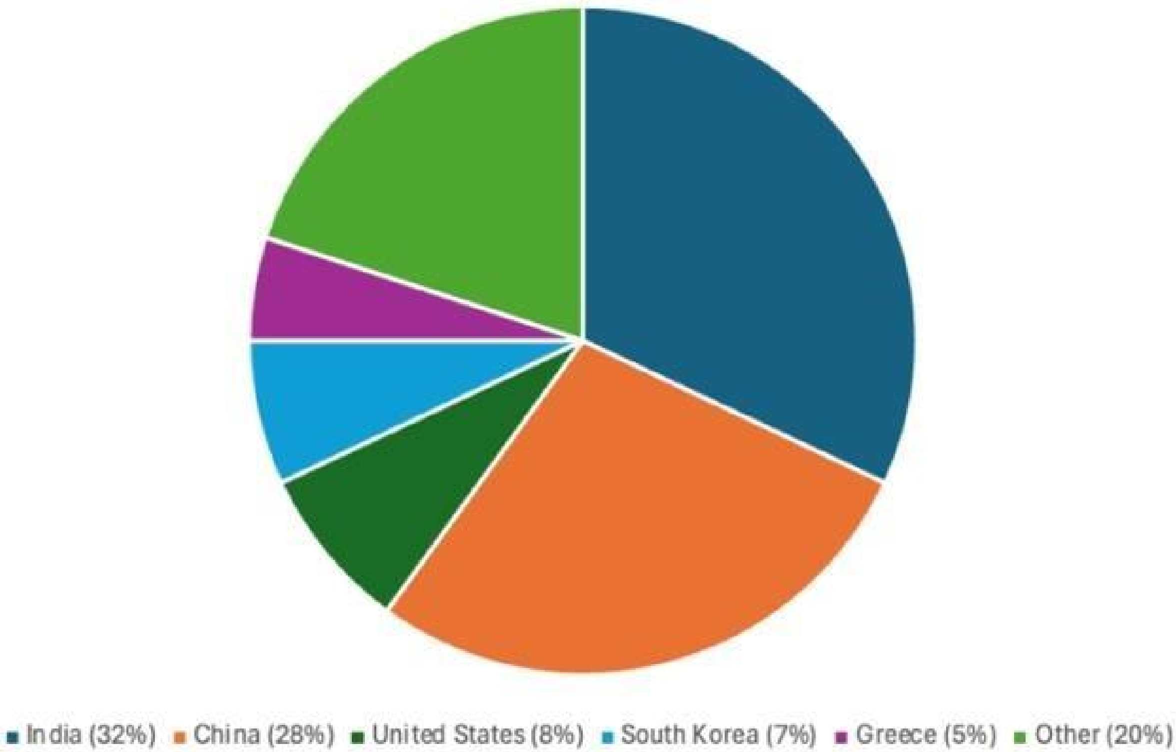
Therefore, both economic inequality and conflict have significantly affected Iraq's HDI. Years of war have damaged infrastructure and moved resources away from crucial development progress. Moreover, the displacement that has been caused by ongoing conflict has worsened inequalities in access to basic services by leaving vulnerable populations, especially in rural regions, with limited development opportunities.

**Trade and Infrastructure**

Trade and Exports

The economy is heavily dependent on oil exports, which represent over 90% of its total export revenue. This makes Iraq one of the most oil-dependent economies in the world. Figure 6 shows Iraq's major oil trading partners taking up 80% of their exports with India being the largest at 20% in 2022 (CIA, 2024).

**Figure 6**: Iraq Export Parners




***Data Source: (CIA, 2024)***

Iraq's oil exports are primarily shipped through the southern Basra ports which face challenges due to decaying infrastructure and capacity constraints (Yesar Al-Maleki, 2023) and the northern Kurdish region which is impacted by political disputes, pipeline disruptions and security threats (Rasheed, 2024). There are also environmental challenges as well as economic challenges. The environmental impact of Iraq's oil industry is immense, as oil extraction and refining contribute to vast levels of pollution and major land degradation, as spills and waste contaminate water supplies and soil. Research from the University of Basra (Al-Hassen et al., 2015) highlights those industrial emissions, contribute significantly to air pollution and groundwater contamination in areas near major oilfields, such as Basra. This reduces agricultural productivity and disrupts ecosystems. Moreover, the production of natural gas during the oil production process releases large amounts of natural gases, which challenge global climate goals.

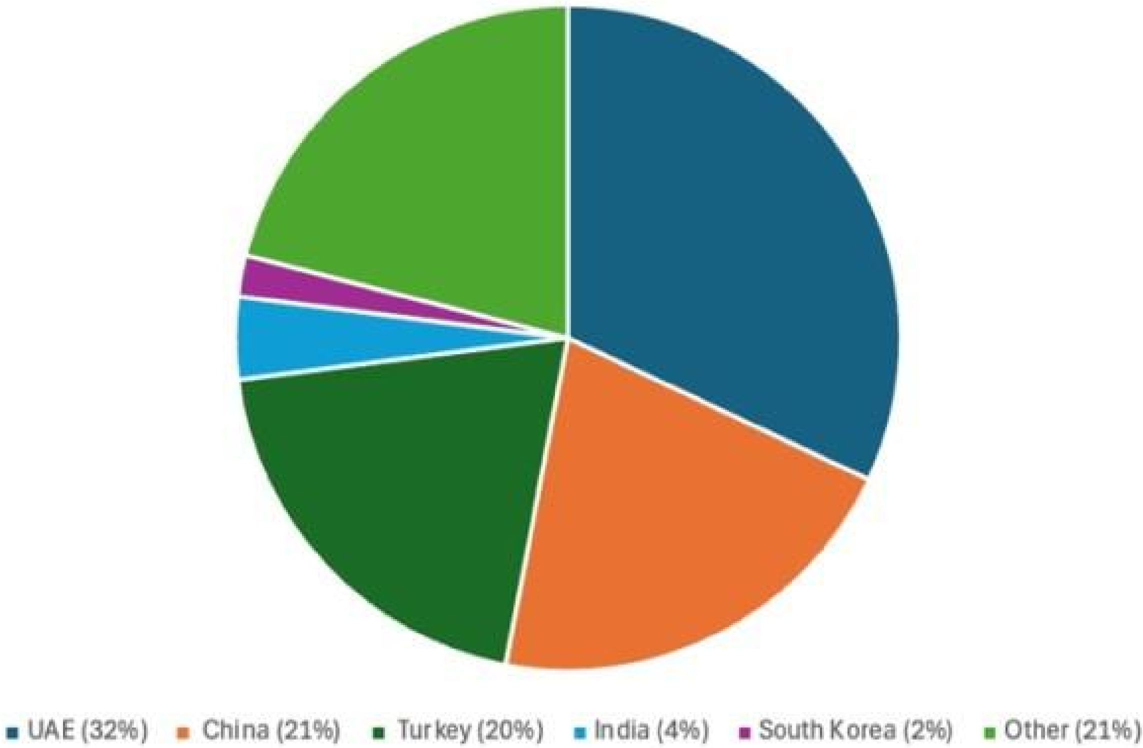
## Infrastructure

As a result of years of conflict, the infrastructure was extensively damaged – roads, bridges, power and communications and much more in despair (Salvage, 2002). To promote economic recovery, the modernisation of roads, ports and airports is crucial (World Bank Group, 2013). Power cuts and shortages cost the Iraqi economy approximately $43 billion per year and the limited internet access in rural areas, reinforces the grave state of the electrical sector and infrastructure gap (World Bank Group, 2015). Insufficient investments, political instability and security risks all obstruct large-scale infrastructure projects (SpecialEurasia, 2024). Iraq's urbanisation has rapidly increased due to conflict-driven displacement and economic migration. Millions of people had to relocate to urban cities like Baghdad, Basra and Erbil, resulting in overcrowding and strained infrastructure. This phenomenon is similar to urbanisation trends observed in other post-conflict countries like Afghanistan, where rural populations migrate to cities in search of better opportunities. However, this rapid unregulated growth has intensified housing shortages and unemployment, creating challenges for Iraq's urban planning and development strategies.

**Import Dependency**

Iraq is heavily dependent on imports, valued at $69.16 billion in 2022. As seen in Figure 7 the country depends on key partners, with the UAE and China being its main suppliers, where Iraq imports a plethora of commodities like refined petroleum, broadcasting equipment, cars and garments (CIA, 2024). Food imports reached $1.7 billion, highlighting the dependence on foreign goods (KAPITA, 2023). As Iraq imports most of its food, it could be vulnerable to fluctuations in global food prices and supply chain disruptions. The UNDP highlights that investing in local food production is essential for reducing import dependency and improving economic stability (Isaczai, 2024).

**Figure 7**: Iraq Import Partners



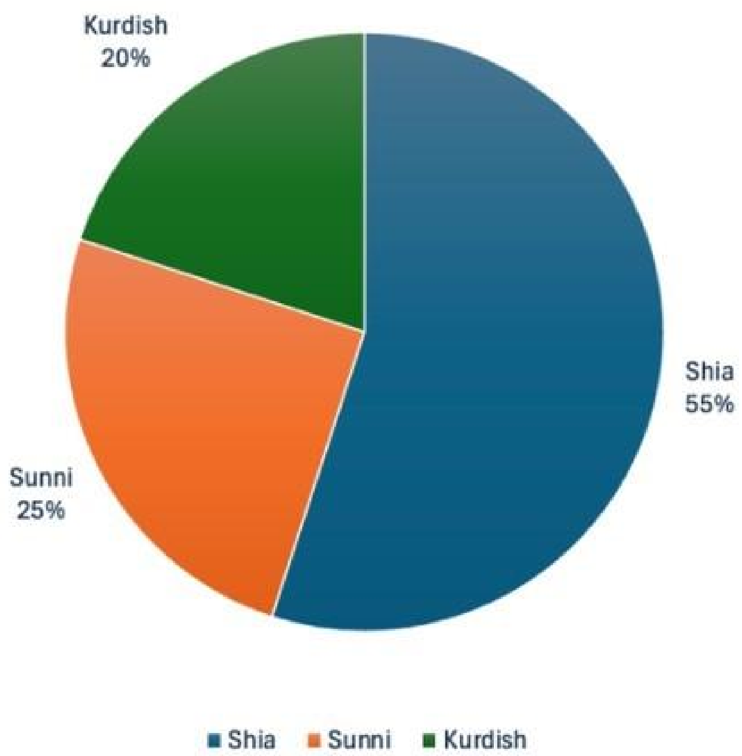

*Data Source: (CIA, 2024)*

## Political Institutions and NGOs

Government Structure

Established by the 2005 Constitution, Iraq's federal parliamentary system divides the power between the central government in Baghdad and the Kurdistan Regional Government (KRG) in the north (Constitute Project, 2019). The governance is severely shaped by sectarian divisions among the Shia, Sunni and Kurdish populations, which leads to inefficiency and political deadlock (McBride, 2022). Figure 8 puts this into perspective.

**Figure 8**: Iraqi parliament sectarian representation

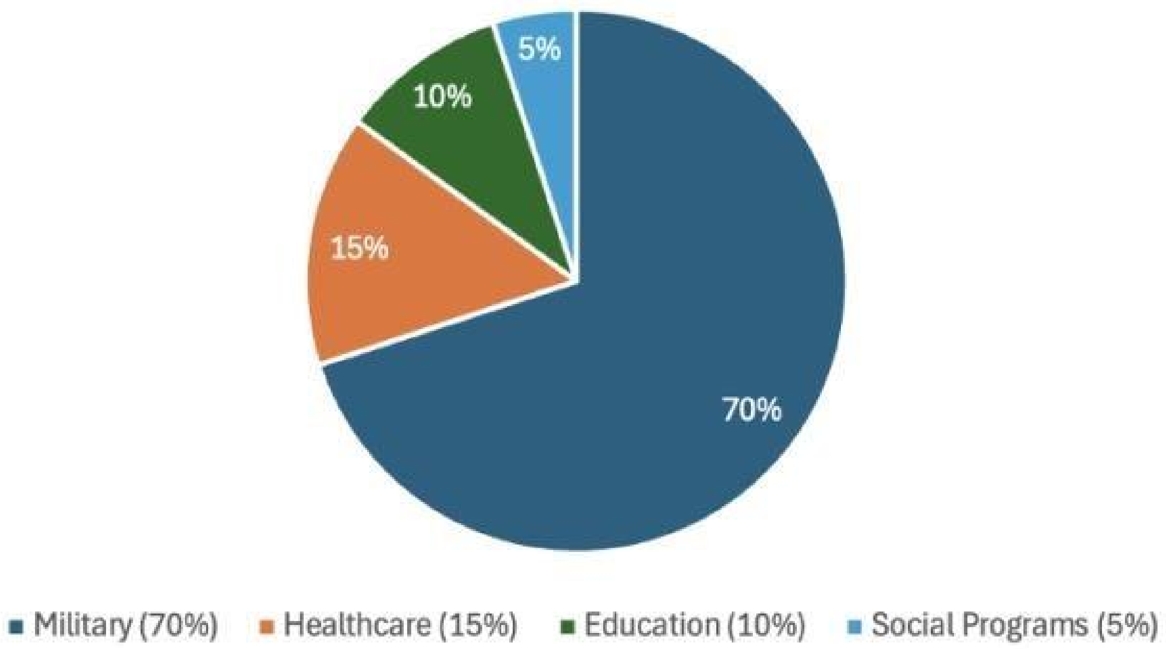



***Data Source: (Constitute Project, 2019)***

Uncontrollable levels of corruption which have been ranked one of the worst in the region, and the weak institutional framework (and issues of nepotism) further compromise administrative capacity (Transparency International, 2023). The public sector struggles to provide fundamental services like healthcare, education and utilities but heavy dependence on oil revenue slows economic diversification and reform.

The challenges are further represented by Figure 9, which reveals major inefficiencies in prioritising public services. The imbalance increases Iraq's inability to deliver crucial services effectively (Hadad, 2023).

**Figure 9**: Iraqi Budget Allocation for 2023




***Data Source: (Al-Jazeera, 2023)***

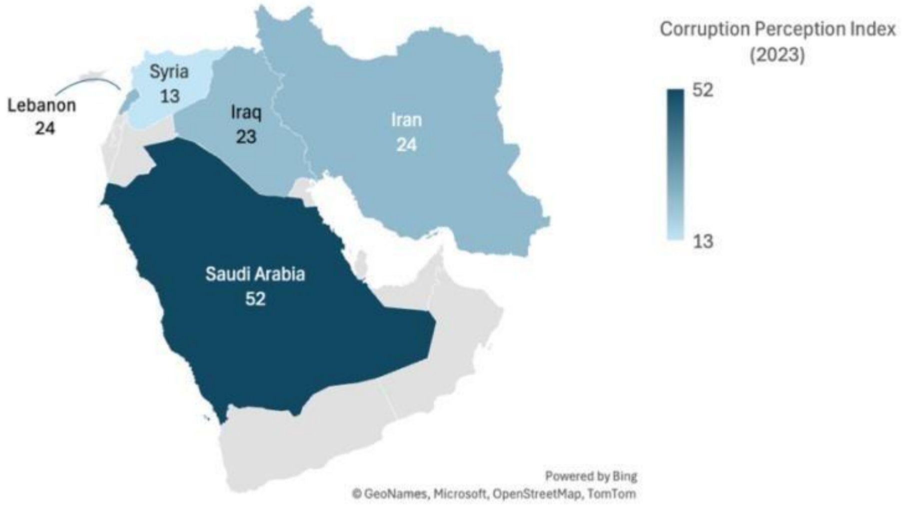
**Role of NGOs**

Non-governmental organisations are crucial in Iraq, addressing the gaps left by government inefficiencies. International organisations like UN agencies and the Red Cross focus on healthcare, humanitarian aid and rebuilding areas impacted by conflict. Local NGOs partner to deliver welfare programs and education to those displaced and vulnerable populations. For example, 3600 projects have been supported by the UNDP, helping millions displaced to rebuild and return home (UNDP, 2023a). However, despite their impact, NGOs face security and bureaucratic obstacles, causing their work in Iraq to be challenging and vital in Iraq's recovery and development.

## Political Instability

Political instability has been pushed by external influences and sectarian tensions by the United States and Iran, suggesting major governance challenges. This has led to regular protests, particularly in 2019, demanding job opportunities, better governance and an end to corruption (MacDonald, 2022). Iraq's corruption perception index score is presented in Figure 10, where the higher the number, the "better" (closer to 100), with a score of 23 in 2023 it is one of the worst in the region, placing it slightly below Lebanon (24) but significantly above Syria (13), implying systemic governance weaknesses (Transparency International, 2023).

**Figure 10**: Corruption Perception Index (CPI) for Iraq and Countries in the Region




***Data Source: (Transparency International, 2023)***

Iraq struggles with reform like Lebanon's sectarian deadlock and Syria's conflict-driven instability (Martini et al., 2019). Therefore, improving public services, building trust in institutions and progressing beyond sectarian power-sharing is essential to progress (Alaaldin, 2018).

## Policy Recommendations

### Economic Diversification to Reduce Oil Dependence

Iraq's economy is heavily dependent on oil (over 90% of government revenue and 45.6% of GDP (BDO, 2023). This makes the economy vulnerable to global price fluctuations, as seen in downturns in 2020 and earlier crises. Iraq must diversify its economy by investing in agriculture, manufacturing and tourism. Agriculture employs 20% of the workforce yet contributes to only 2.8% of GDP (Trading Economics, 2024), suggesting low productivity. Investments in advanced farming technologies, rural infrastructure and modern irrigation systems can improve yields and incomes. For example, post-conflict Rwanda lifted millions out of poverty by increasing crop yields substantially through targeted agricultural investments (MINAGRI , 2018). Manufacturing local industries and encouraging manufacturing could mitigate import dependency and generate employment. Therefore, establishing Special Economic Zones (SEZs), offering tax incentives and infrastructure support, could attract investment and drive industrial growth, which could reduce import dependency and create jobs. For example, Egypt's SEZs have successfully diversified exports and created jobs, contributing significantly to GDP growth (GAFI, 2019). Iraq's rich cultural and religious heritage, like landmarks in Karbala and Najaf, contributed to approximately $5 billion annually through religious tourism before COVID-19 (Faris and Griffin, 2020). Targeted investments in infrastructure, marketing and security can expand and revive this sector could unlock economic potential (Kazim, 2024).

Therefore, implementing these strategies through providing low-interest loans and subsidies to small and medium enterprises (SMEs), partnering with organisations like the World Bank and UNDP and private-public partnerships could help diversify Iraq's economy, reduce its reliance on oil and promote sustainable growth.

### Combating Corruption

Corruption is a major issue in Iraq, ranked 154th out of 180 (Transparency International, 2023). Systemic corruption damages public trust, deters foreign investment and diverts resources, promoted by weak institutions and opaque oil revenue management. To combat corruption, Iraq could establish an independent anti-corruption agency with autonomy to ensure accountability and prosecution authority. For example, Georgia's reforms, including such an agency, considerably reduced bribery and improved public services, enhancing its global reputation (Aarvik, 2022). Furthermore, transparency in oil revenue management is equally essential. Adopting Extractive Industries Initiative (EITI) standards, as Nigeria did, could help improve accountability and attract investment, as seen in Nigeria's improvement in oil sector transparency (World Bank Group, 2020). Digitising public services could be crucial in further reducing corruption by limiting opportunities for bribery and enhancing efficiency. For example, Estonia's e-governance system saved 2% of GDP annually while increasing public trust (Stone, 2021). To streamline processes and cut administrative costs Iraq could focus on digitalisation in tax collection, public services and procurement.

Therefore, implementation requires partnerships with international organisations like the UN for capacity building and technical expertise. Moreover, independent auditing mechanisms and regular public reporting on oil revenues are crucial to strengthen accountability and rebuild public trust.

Investment in Human Capital

Iraq faces significant human capital challenges, with youth unemployment exceeding 30% (ILO, 2024) and women's labour force participation at around 11.6% (Abbas, 2023). Underfunded education and healthcare institutions, especially in rural areas, promote these issues, limiting economic stability and poverty reduction. Iraq could address this by reviving education by aligning it with market needs through vocational programs and apprenticeships, like Germany's dual education system, which has successfully tackled youth unemployment (Funk, 2004). Healthcare systems, particularly in rural areas, could improve productivity and quality of life. For example, Bangladesh's maternal and infant care reforms, reduced infant mortality by around 70% (WHO, 2018). Empowering women through microloans and gender-inclusive policies could unlock economic potential, as Rwanda's gender reforms boost women's workforce and political participation – women holding 63.8% of seats (Karungi, 2024).

Therefore, partnering with UNICEF and UNDP to fund these initiatives and establish a sovereign wealth fund to allocate oil revenues for long-term human capital development could ensure sustainable growth and improve livelihoods.

## Conclusion

Overall, addressing Iraq's development challenges requires a strategic focus on economic diversification, governance reforms and human capital investment. The over-reliance on oil revenues exposes the economy to external shocks, reinforcing the urgent need for the expansion of sectors like agriculture, tourism and manufacturing. Governance reforms are vital to combat corruption, rebuild public trust and improve institutional efficiency. Ensuring tough anti-corruption measures, transparent oil revenue management and digitised public services will enhance accountability and attract investment, delivering a foundation for economic stability. Human capital development in healthcare, education and gender inclusion is crucial for long term socio-economic resilience. By prioritising vocational training, rural infrastructure and women's workforce participation will lower employment, promote equitable growth and boost productivity.

Therefore, this requires evidence-based policies and partnerships with local stakeholders and international organisations. A sustained commitment to reform and inclusive development will enable Iraq to address its structural challenges, build stability and unlock its potential for sustainable development.

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# Assessing the Effects of Migration on Native Workers' Opportunities


Ben Ashford
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**Labour Economics**

Migration is an increasingly hot topic globally. It places an immense amount of pressure on Governments worldwide due to its profound societal and economic impacts on nations. The United Kingdom voted in favour of leaving the European Union (EU) in 2016, with one third of leave voters stating that their primary reason for voting to leave was that it "offered the best chance for the UK to regain control over immigration and its own borders."(Lord Ashcroft Polls, 2016). This attitude was driven by high migration levels in the UK, with net migration growing from 162,000 in the year ending June 2012 to 321,000 in June 2016 (ONS, 2024). Many believed this would cause negative effects on the UK labour market, leaving native workers to be crowded out by migrants, however, evidence exists to challenge this idea. Net migration has continued to grow, reaching 903,000 in the year ending June 2023 (Sturges, 2023) and migration policy remains a contentious issue in the UK.

This policy brief will explore the debate as to whether migrants produce positive or negative externalities to both the country they migrate to, as well as their native country. Whether migrants act as complements or substitutes in labour markets will also be considered. Global evidence will be evaluated, enabling us to effectively develop a policy brief that aims to achieve maximum positive effects of migration on the UK, while mitigating its negative impacts.

**Comparative Literature**

Research on migrant workers' impact on native workers shows mixed results, varying by the country and time frame studied. Studies on migration and the H-1B visa policy in the United States (US), which offers visas to migrants with specialised skills, have shown that the technological sector greatly benefitted from an inflow of migrant workers with Science, Technology, Engineering, and Mathematics (STEM) skills. This inflow resulted in increased productivity for firms in the sector (Doran et al., 2022). During 1990 to 2020, the H1-B policy was effective in increasing wages for natives by up to 9% if they were college educated and up to 4.3% if they were not. This occurred whilst also increasing total factor productivity in the US. Over the same period there was no significant effect on native employment (Peri et al., 2015). These findings were supported by Mahajan et al. (2024), who studied the H-1B lottery system, and also found the probability of employment for natives did not decrease, and that inflows of migrant workers complemented domestic labour where skill shortages were present. Business revenue grew by 20% for those who won the lottery application. However, a recent study conducted by Doran et al. (2022), found employers began to substitute migrant workers for native workers, reducing native workers' job opportunities. The study also found that there was a limited effect on business growth when adding an additional migrant worker.

Analysing migration effects in Europe, Cattaneo et al. (2015) found, when a native worker's labour market is exposed to inflow of immigrants, they are more likely to move to occupations associated with a higher level of skill and status. Immigrants often fill low-skilled jobs, creating demand for higher skilled roles that natives can occupy (Constant, 2014; Cattaneo et al., 2015). However, over-reliance on migrant labour will force countries to outsource if inflows slow down and native avoid lower skilled occupations. Borjas (1996) noted that migrants can address labour shortages, although they may reduce wages for similar skilled natives competing for the same jobs. Results showed a 10% increase in immigration resulted in a 3% reduction in wages. Showing migrants can act as substitutes towards natives.

Migration can have negative effects on home countries, as they are left skill depleted by high-skilled workers leaving for better opportunities. However, Javorick et al. (2011) discovered migrants can increase Foreign Direct Investment (FDI) in their home countries, especially those who are highly skilled. Results showed a 1% increase in migrant stock in the US correlated to 0.35% to 0.42% rise in FDI in a migrant's home country, further increases were found when migrants had received higher education.

The literature suggests that migrant workers can complement native workers through increased wages and better job opportunities, although negative effects can arise when native workers are substituted and crowding out effects occur.

**Societal Implications**

Migrant workers can contribute significantly to the economic prosperity of their host country. Often by filling labour shortages, especially in sectors such as healthcare and agriculture, where native workers may be less willing to fill those roles. By filling these gaps it helps provide the continuity of vital services. Additionally, their spending on goods and services can stimulate local economies, contributing to overall economic growth (Azam, 2015). Highly skilled workers with unique and innovative abilities can significantly benefit firms by training existing workers with new skills and enhancing business productivity (Damelang et al., 2012). This growth in productivity has been seen in the technology sector (Doran et al., 2022). Additionally, immigrants who are self–employed or entrepreneurial contribute directly towards job creation (Constant, 2014). Peri et al. (2015) found an increase in migrant workers can lead to increases in general wages, stimulating economic growth and increasing global competitiveness. Immigrants can help solve the ageing and low fertility problem in the medium run only if they have high fertility rates or go back to their origin country when they retire (Pederson et al., 2002).

However, migrant workers may produce negative effects on labour markets. Firstly many native workers were crowded out, firms tended to reduce native workers, less job opportunities, increased profits, especially in the technological sector, limited the effect of additional migrant workers in terms of business growth. (Doran et al., 2022). Migration can also create a negative gap when immigrants leave behind their country of origin. When highly skilled workers leave a country for better job prospects, this creates a loss for the country they are departing as they have lost a highly skilled worker. This situation is otherwise known as brain drain and can be further explained by the use of the Roy model. The Roy model explains how migrants self-select based on the payoff of their skills in their destination against their country of origin. In the case of Brain Drain, highly skilled workers are positively selected due to their advanced skills offer higher returns in countries with strong economies and high demand for their skills (El Saghir et al., 2020).

Another negative implication of migration is the effect on the host country. If migration into a country is not properly managed, it can have an adverse effect on prices, especially in the housing market, due to demand for houses exceeding the speed at which houses are being built.

## Policy Recommendations

Policies on migration should seek to maximise the complementary effects migration has on native workers, whilst minimising the substitution effects. This can be achieved by enhancing native workers' access to higher level job opportunities. As shown by Cattaneo et al. (2015), occupational mobility is higher for skilled native workers that are exposed to an inflow of migrants compared to lower skilled natives. To capitalise on this dynamic, governments should improve education and training programs, designed to equip natives with the necessary skills required for high-skilled, better paying jobs. Resources should be used to expand vocational training programs in sectors with high demand, such as technology and healthcare. The government should provide subsidies or incentives for employers to upskill native workers, whilst STEM-focused education is integrated to meet the needs of industries benefiting from skilled migrants.

Similar policies have already been implemented in some countries such as in Canada, whose immigration policies are aligned with its labour market needs by prioritising on education and skill development with their programs such as “Express Entry”, a system that focused on skilled migrants and provided support for education and training to meet market demands. The approach had huge success in Canada leading to higher labour force participation and improved job opportunities in fields such as technology and healthcare. This demonstrated the importance of aligning policies to best aid current labour market conditions.
Another policy to improve native worker job opportunities would be seasonal worker schemes, where countries offer temporary visas to migrants to perform jobs typically in the horticulture industry. These jobs are usually lower skilled and migrants filling these roles means native workers can use skills gained through education in order to achieve higher paying job opportunities instead of having to fill low skilled roles. Seasonal worker policies are present in the UK, parts of Europe and Australia and allow migrants to stay and work for up to 6 months.

## Future Research

Future research should focus on the long-term labour market effects of migration, focusing on how migration impacts native employment and wages across different skill levels for an extended period of time. Additionally, further research should explore sector-specific migration and how sector focused migration policies can optimise outcomes in fields such as in the technology, healthcare and agriculture sectors. Another key area to study further is the impact of regional dispersal. Particularly examining how distributing migrants across less populated areas affects local economies and social integration. This research will be essential in further developing migration policies that will benefit migrants and the host country.

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