

Sustainable Trade Challenge

Bringing sustainability to life in the classroom

Examples of policy formulation considerations for a developed and a developing economy

The ‘government ministers’ of the economy you have been assigned are expecting a pitch comprised of forward-looking, practical and specific policy recommendations that will enable your client’s economy to advance in the Sustainable Trade Index.

The real-world trade-offs required to navigate the delicate balance between economic growth, societal well-being and environmental stewardship vary greatly if you are pitching a developed economy versus a developing economy.

This document provides examples of a trade-off in both a developing economy (India) and a developed economy (Singapore).

The background information and insightful recommendations ***serve as examples*** you can use to guide you through the process of honing your team’s pitch regardless of which economy you are pitching.

India

The trade-off

In order to improve trade sustainability, labor standards need to be strengthened, but doing so could make India less attractive to the foreign investors that are critical for the country's continued economic development and its ability to benefit from trade.

Background

India is the largest developing country in the world. Hundreds of millions of Indians live at or below the poverty line and struggle to obtain viable employment. In order to have credibility and maintain political stability, it is absolutely critical that any Indian Prime Minister (or any aspiring Prime Minister) pursue policies that produce jobs and contribute to the country's economic development.

In recent decades, foreign direct investment (FDI) has been an increasingly important driver of much-needed employment opportunities, technological advancement and the development of management expertise.

For foreign investors, India's large workforce and competitive wage rates have been a key comparative advantage. Unfortunately, part of the appeal has been that Indian labor standards are not always as high or as rigorously enforced as international norms require.

Considerations in preparing your recommendations

How should India best manage the difficult trade-off between the need to raise labor standards and the need to continue to attract transformational foreign investment? The 'government ministers' will value recommendations that unpack and address the "tough" issues, such as:

- If tougher labor standards do in fact damage India's competitiveness for foreign investment, what are the **realistic** off-setting steps the government should take to maintain India's attractiveness?
- Would Indian citizens be willing to accept less robust inflows of foreign investment (and the accompanying jobs and developmental opportunities they bring) in exchange for better working conditions - at least for those that have jobs?
- Some argue that higher labor standards could actually make India more attractive to at least some foreign investors. Your position on this question should be imbedded in your analysis and recommendations.

Specific recommendations (example for guidance)

India should gradually enact progressively stronger labor standards and avoid, either in practice or reality, engaging in a "race to the bottom" to attract FDI. The tighter labor standards need to be enacted in tandem with a targeted effort to dramatically streamline bureaucratic red tape for foreign investors and reduce restrictions on investment.

Impact on STI (example for guidance)

Pursuing these policies are likely to have a positive impact on India's score on the investment freedom indicator under the economic pillar and its score on the labor standards indicator under the societal pillar, thereby improving India's score on the over index.

Singapore

The trade-off

Singapore's economic success depends on its continued openness to an integrated global economy, but an increasing number of its citizens are concerned that foreigners are disproportionately benefiting and are demanding more "Singapore first" policies.

Background

As a small city-state with few natural endowments, Singapore's remarkable economic success has been largely dependent on foreign trade and foreign investment. Each successive Prime Minister has pursued open trade and investment policies and welcomed foreign workers to contribute to Singapore's ongoing development. Singapore is arguably one of the most globalized nations in the world and has become a leading location for large multinational corporations to base their regional headquarters, with many key positions staffed by an ex-pat workforce.

While the vast majority of citizens have supported Singapore's unreserved embrace of globalization, in recent years there has been a growing perception that foreign workers are taking prized jobs that Singaporeans are capable of filling. This has led to a tightening of work permit and other requirements for foreigners in the hope of increasing access for Singaporeans to desirable jobs previously filled by ex-pats.

Considerations in preparing your recommendations

How should Singapore best manage the trade-off between its need to be entirely open to foreign trade and investment and its need to be responsive to citizen's concerns about foreigners benefiting at the expense of Singaporeans? The Prime Minister will value recommendations that unpack and address the "tough" issues, such as:

- What level of damage would be done to Singapore's sterling reputation as an open global trade and investment hub if the government took further steps to limit foreign workers in favor of Singaporean workers?
- At what point will public disenchantment with foreign workers erode support for globalization and potentially threaten political stability?
- What policies can be pursued in order to ensure a more equitable and balanced societal dispersion of the economic benefits brought by foreign trade and investment?

Specific recommendations (example for guidance)

Singapore should not enact additional policies or regulations that will further limit the ability of skilled foreign workers to work in Singapore and should consider rolling back those already enacted.

Instead, it should work with foreign companies invested in Singapore to ensure they provide programs that demonstrably benefit Singapore citizens, such as support for education programs, scholarships, and mentoring programs geared towards high school and university students.

Impact on STI (example for guidance)

Pursuing these policies is likely to have a positive impact on Singapore's score on the FDI indicator under the economic pillar and its score on the political stability indicator under the societal pillar, thereby improving Singapore's score on the over index.

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