4 (a) Explain the key determinants of sustained economic growth. [10]

(b) Assess the extent to which the size and openness of an economy affects the choice of macroeconomic policies a government adopts to achieve sustained growth. [15]

Suggested answer for part (a):

Question Analysis	
Command	Explain
Content	Key determinants, sustained economic growth (actual & potential growth)
Context	No specific context
Synopsis: Students are expected to explain the determinants of both actual and potential growth in order to achieve sustained economic growth. Answer should cover a broad scope and include both internal and external factors as well as recognise that what constitutes the "key" determinants would vary with different economies. Analysis should be supported by ADAS framework with use of real-world examples.	

Introduction

- Economic growth is defined as the increase in real GDP or an expansion in the productive capacity of an economy. It is one of the macroeconomic goals of a government.
- For economic growth to be sustained in the long-run, actual growth should keep pace with potential growth, thereby leading to non-inflationary growth.
- The "key" determinants of sustained economic growth vary with different economies.

Body

(A) Key determinants of actual growth

- Actual growth is the percentage annual increase in national output. It results from the higher and better utilisation of resources which can be achieved through an increase in AD when the economy is operating below the full employment level and/or a rise in SRAS.
- Explain the determinants of actual growth: ↑AD due to ↑C, I, G, (X-M)
  - Increased consumption expenditure due to growing population and rising disposable income → middle class expansion especially in emerging economies like China (76% of China's urban population will be considered middle class by 2022 compared with 4% in 2000) → rising affluence leads to increased purchasing power → consumption-led growth as evident in the fact that consumption expenditure accounted for 58.8% of China's GDP growth in 2017 → ↑C leading to ↑AD.
  - Increased investment expenditure due to positive economic outlook or inflow of FDI attracted by sound economic fundamentals, good network and infrastructure, strong legal framework and attractive tax system (e.g. Singapore) → ↑I leading to ↑AD.
  - Increase in net exports due to growing global economy and rising pace of globalisation, especially in small and open economies like Singapore which has one of the highest trade to GDP ratio in the world in excess of 300% → ↑(X-M) leading to ↑AD

- An increase in C, I and (X-M) leads to an increase in AD from AD_0 to AD_1 as seen in Figure 1.
- Assuming that the economy is operating in the intermediate range, an increase in AD will lead to a multiplied increase in RNY from Y_0 to Y_1 → actual growth.
- Often, developing economies with significant spare capacity will experience the largest increase in RNY while an overheating economy operating at full employment will not see a rise in RNY and will face only inflationary pressures.

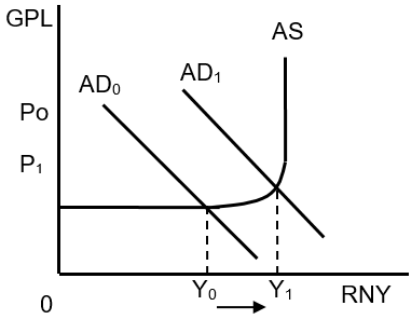


Figure 1:
Actual growth (↑AD)

- Explain the possible determinants of actual growth: ↑SRAS due to ↓COP
  - Reduction in business costs due to improved productivity, government subsidies etc. → ↓COP → ↑SRAS.
  - A fall in cost of production will lead to a rise in SRAS, causing a downward shift of the SRAS curve from AS_0 to AS_1 as seen in Figure 2.
  - This causes an increase in RNY from Y_0 to Y_1 → actual growth.

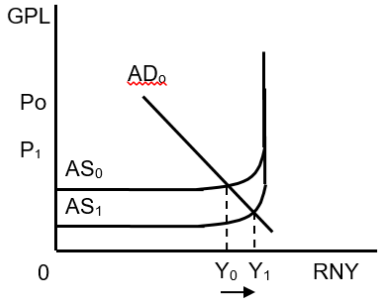


Figure 2: Actual growth (↑SRAS)

(B) Key determinants of potential growth

- Potential growth is the rate at which the economy could grow if it were to use all its resources and can be achieved through the increase in productive capacity of the economy (i.e. ↑LRAS).
- Explain possible determinants of potential growth focusing on the increase in quantity and quality of factors of production and technological advancement:
  - Increase in quantity of labour: The size of the labour force affects the level of output of a country and is dependent on two factors – population size and labour force participation rate. To increase the quantity of labour, the government may embark on loose immigration policy or implement pro-family work policies (e.g. Singapore government encouraging employers to introduce more flexible working hours or work-from-home arrangements so more women are willing to enter the workforce) or promote population growth through schemes such as the Baby Bonus.
  - Increase in quality of labour: Policies to improve skills and productivity of the workforce (e.g. Skills Future, Adapt and Grow Initiative, TechSkills Accelerator etc.)
  - Increase in quantity and quality of capital: Attract FDI, encourage R&D and innovation through funding and tax incentives etc.

- An increase in the quantity and/or quality of factors of production will lead to an increase in productive capacity causing a rise in LRAS from AS_0 to AS_1.
- This causes an increase in the full employment capacity of the economy from Y_F to Y_{FF} → potential growth.
- While an increase in LRAS leads to potential growth, it COULD also lead to actual growth from Y_0 to Y_1 if the economy is operating close to full employment.

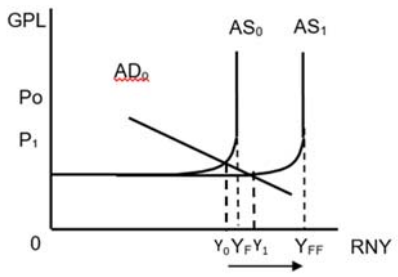


Figure 3:
Potential growth (↑LRAS)

Conclusion

- For economic growth to be sustained in the long-run, the actual growth should be kept in pace with the potential growth of the economy.
- If the actual growth exceeds potential growth, there will be increased inflationary pressure causing prices to rise. If actual growth is slower than potential growth, there will be increased spare capacity, resulting in higher unemployment.

Mark Scheme:

Knowledge, Application, Understanding and Analysis		
L3	• Recognising that what constitutes the "key" determinants would vary with different economies. Scope of answer should consider internal and external factors to attain top marks within the band. Good application of real-world examples and appropriate use of economic framework to support the analysis with accurate and well-explained diagrams. • Developed explanation of key determinants of actual and potential growth.	9 - 10 8
L2	• Undeveloped explanation of key determinants of actual and/or potential growth with appropriate but incomplete economic analysis. [Developed answer that focuses only on the determinants of actual OR potential growth – max 5]	5 – 7
L1	• Answer that is mostly irrelevant in answering the question, with basic concept errors and inaccurate economic analysis. • Mere listing of points with no or inappropriate diagrams to aid explanation.	1 – 4

Suggested answer for part (b):

Question Analysis	
Command	Assess the extent
Content	Size and openness of economy, choice of macroeconomic policies, achieve sustained growth
Context	No specific context ("a government")
Synopsis: Students are expected to explain how the size and openness of an economy would affect the choice of macroeconomic policies to achieve both actual and potential growth which would require the application of both demand-management and supply-side policies. The answer should also consider other factors that need to be considered in the choice of policy. Analysis should be supported by ADAS framework with use of examples.	

Introduction

- Define size and openness of an economy:
  - Size of economy refers to the size of the domestic market and the availability of factor endowment.
  - Openness refers to the size of flows of goods and services, capital and labour in the economy.
- To achieve sustained growth, the macroeconomic policies adopted must promote actual growth (i.e. ↑AD and/or SRAS) and potential growth (i.e. ↑LRAS). These may include demand-management and supply-side policies.

Body

Thesis: Size and openness of economy can affect the choice of macroeconomic policies to achieve sustained economic growth

- Size and openness of economy influences the choice of demand-management policies: *fiscal and monetary policies* vs *exchange rate policy*
  - Small and open economies have relatively smaller C, I and G components relative to (X-M). Given the small size of their domestic markets, these economies tend to rely on exports to global markets to drive economic growth. They also have large imports due to relatively less abundant factor endowment. Consequently, they tend to have smaller multiplier values due to higher MPM since k=1/(mpm+mpt+mps).
  - Hence, ***expansionary fiscal and monetary policies*** implemented to stimulate actual growth would be more effective when pursued by larger economies:
    - Explain how expansionary fiscal policy, through increasing government spending (↑C,I,G) and reducing direct taxes (↑C,I) would lead to an increase in AD and hence a large multiplied increase in RNY due to larger multiplier for large economies.
    - Explain how expansionary monetary policy leads to increase C and I through lowering of interest rates and cost of borrowing, resulting in an increase in AD and a similarly large multiplied increase in RNY for large economies → more effective in stimulating actual growth.
  - Additionally, in small and open economies such as Singapore, monetary policy is also not feasible due to the inability to control money supply and hence interest rates.

- On the other hand, ***exchange rate policy*** may be more effective in stimulating growth in small and open economies that are more reliant on the (X-M) component.
  - Explain how an exchange rate depreciation would lead to an increase in (X-M) leading to increased AD and hence RNY, stimulating actual growth.
- However, for most small and open economies, exchange rate policy is used more for its supply-side effects to maintain low and stable prices which is a requisite for sustained growth as it promotes X and attracts FDI.
  - This can be achieved by a gradual appreciation of the exchange rate which moderates demand-pull inflation while curbing cost-push inflation as the price of imported raw materials will be relatively cheaper in the domestic currency.

Anti-Thesis: Size and openness of economy may not affect the choice of macroeconomic policies to achieve sustained economic growth

- *Supply-side policies* are used by both small and open as well as large economies to bring about sustained growth (both actual and potential growth)
  - For example, the policy to promote R&D and innovation will lead to increased productivity which will lower COP and increase the productive capacity of the economy leading to sustained growth.

- Other factors also affect the choice of macroeconomic policies (consider any two)
  - Government budget position → affects the extent to which the government can fund tax cuts and government spending in adopting an expansionary fiscal policy leading to possible crowding out effects in the financial and resource markets.
  - Consumer and business sentiments affecting the interest elasticity of investments.
  - Possible conflicts with other macroeconomic objectives (e.g. conflict between economic growth and inflation).
  - Time period and sustainability of policy measure

Conclusion / Evaluation

- The size and openness of an economy affects the choice of macroeconomic policies a government adopts to achieve sustained growth to a small extent.
- The size and openness of an economy does affect its choice of macroeconomic policies adopted to achieve sustained economic growth in terms of effectiveness and feasibility.
- This is more so for demand-management policies as compared with supply-side policies.
- However, size and openness of an economy is only one factor that influences policy choice. There are other factors for the government to consider including resource constraints and the unintended consequences of each policy chosen.

Mark Scheme:

Knowledge, Understanding, Application and Analysis		
L3	• A well-developed and balanced answer on how the size and openness of an economy would affect policy choices to achieve both actual and potential growth, as well as other factors that should be considered. • Use of appropriate economic concepts and framework to support the analysis. Context of small and open vs large economies is addressed.	8 – 10
L2	• An undeveloped answer on how the size and openness of an economy would affect policy choices to achieve actual and/or potential growth, with some consideration of other factors. • Some use of economic concepts with appropriate diagrams which may be inadequately explained or applied to support the analysis.	5 – 7
L1	• Answer that minimally considers the size and openness of an economy in influencing policy choices to achieve growth with major conceptual errors. Inappropriate or wrong use of diagrams.	1 – 4
Evaluation		
E3	Evaluative judgement on the extent to which the size and openness of an economy would affect policy choices which is well-explained and supported by economic analysis.	4 – 5
E2	Attempt to explain evaluative judgement but is incomplete or inaccurate.	2 – 3
E1	Unexplained judgement	1

5 To help Singapore achieve her productivity target of 2 to 3% each year until 2020, the Singapore government has focused on strengthening human capital, boosting innovation through tax incentives and building state-of-the-art digital infrastructure. There has also been a tightening of foreign worker policies in a bid to support innovation and automation especially among small and medium enterprises.

Discuss whether possible trade-offs in economic aims may arise as the government implements these strategies to raise productivity in Singapore. [25]

Suggested answer:

Question Analysis	
Command	Discuss whether
Content	Trade-offs in economic aims; measures to raise productivity
Context	Singapore
Synopsis: Students are expected to explain how the strategies outlined in the pre-amble work to raise productivity in Singapore and analyse how the implementation of these strategies may or may not lead to trade-offs with other micro and macroeconomic aims. Analysis should be well-supported by the use of relevant economic framework (e.g. ADAS framework) and the application to the Singapore context by using specific examples to illustrate the answer.	

Introduction

- Following an announcement in 2010 by the Economic Strategies Committee to reach a productivity growth target of 2-3% per year over the next decade, the Singapore government has introduced a slew of initiatives to raise productivity.
- Labour productivity refers to the output per worker per actual hour worked.
- Growth in labour productivity can be achieved through structural reforms to enhance the quality of our labour force. However, this could also lead to possible trade-offs with other economic aims which include:
  - microeconomic aims: efficiency (allocative & productive efficiency) and equality in income distribution.
  - macroeconomic aims: sustainable economic growth, low unemployment, price stability and favourable balance of payments.

Body

Thesis: Strategies to raise productivity in Singapore may lead to trade-offs in economic aims

Strategy #1: Measures to "strengthen human capital"

- Explain how strengthening human capital through skills training and upgrading (E.g. Skills Future) can lead to improved labour productivity, as Singapore transits into a knowledge-based economy.
- Possible conflict with economic aims:
  - Greater income inequality (micro) – Lower-skilled workers may not benefit as much from skills training and upgrading schemes due to lower funding support and limited

course options. Participation rates among this group of workers would also tend to be lower as they are focused on making ends meet. Hence, income inequality may actually worsen as low skilled workers lag behind in a knowledge-based economy.

Strategy #2: Tax incentives and state-of-the-art digital infrastructure to boost innovation

- Explain how tax incentives and building state-of-the-art infrastructure can boost productivity especially in the manufacturing sector, allowing workers to adopt new processes and become more efficient.
- Possible conflict with economic aims:
  - Demand-pull inflation (macro) – Increased infrastructural spending could lead to a rise in the G component of AD → increase in AD → increase in GPL leading to demand-pull inflation especially as Singapore is operating close to full employment.

Policy #3: Tightening of foreign worker policies to support innovation and automation

- Explain how tightening of foreign worker policies raises productivity as it forces firms, especially SMEs, to innovate and automate their processes in order to cope with the manpower shortage.
- Possible conflict with economic aims:
  - Cost-push inflation (macro) – Illustrate and explain how the tightening of foreign worker policies reduces the supply of labour in Singapore, driving up wages due to the labour shortage and causing cost-push inflation in the short-run.
  - Structural unemployment (macro) – Higher cost pressures may cause firms in labour-intensive industries (e.g. construction or hospitality industries) to close down while increased automation would lead to jobs being replaced by machines → could result in structural unemployment if those who are made redundant do not possess or are not able to acquire the skills required in the economy.

Anti-thesis: Strategies to raise productivity in Singapore may lead to the attainment of macroeconomic goals

- **Increased economic growth (actual and inclusive), fall in unemployment, fall in inflation**
  - Tax incentives (to promote innovation), building of infrastructure and developing skilled labour → attracts FDI into Singapore → increase in AD
  - Skills training and upgrading raises labour productivity which in turn enhances efficiency → lowers cost of production → increase in SRAS
  - Increase in AD and SRAS → increase in RNY (actual growth), fall in unemployment and fall in GPL (reduce inflation).
  - With higher labour productivity, workers can also receive higher wages without leading to wage-push inflation → inclusive growth.

- **Sustained growth (actual + potential growth)**
  - Apart from increasing actual growth achieved through ↑SRAS, a rise in productivity through skills training and upgrading, R&D and innovation also leads to enhanced quality of labour and capital → increase in productive capacity → increase in LRAS → potential growth. A rise in actual and potential growth → sustained growth.

- **Improved balance of payments**
  - Fall in cost of production arising from increased productivity improves price competitiveness of Singapore exports while innovation enhances the quality of exports → increase in exports → improves current account
  - Increase in FDI → improves capital account.

- **Equality in income distribution**
  - Skills training and upgrading provides an avenue for lower-skilled workers to raise their productivity, making them more employable and leading to increased wages → lowers the income gap.

Conclusion / Evaluation

- The strategies implemented to raise productivity in Singapore may lead to short-term trade-offs with micro and macroeconomic objectives. In the long-run, however, these measures should be compatible with Singapore's economic objectives.
- Propose measures to mitigate the short-term trade-offs in economic goals arising from the strategies.

Mark Scheme:

Knowledge, Understanding, Application and Analysis		
L3	• A well-developed and balanced explanation on how the strategies in the pre-able work to raise productivity in Singapore and whether the implementation of these strategies may or may not lead to trade-offs with micro and macroeconomic goals. • Analysis is well-supported by the use of ADAS framework and applied to the Singapore context with the use of relevant examples. • For an accurate and well-developed answer that only considers trade-off with macroeconomic goals.	18 – 20 15 – 17
L2	• Undeveloped answer that explains how the strategies may or may not lead to trade-offs in economic goals with some application to the Singapore context. Use of diagrams but with incomplete explanation. • Answer shows some attempt to link the strategies used to raise productivity to conflicts in economic goals but analysis is weak and poorly developed.	12 – 14 9 – 11
L1	• Answer shows some knowledge of how the strategies work to raise productivity but is inadequately explained with major concept errors. • Answer is mostly irrelevant or inaccurate with few valid points.	5 – 8 1 – 4
Evaluation		
E3	Well-explained judgement on whether the strategies adopted to raise productivity in Singapore would lead to trade-offs in economic goals and supported by economic analysis.	4 – 5
E2	Attempt to make evaluative judgement is incomplete or inaccurate.	2 – 3
E1	Unexplained judgement	1

6 Singapore has dropped a spot to become the world's third most competitive economy, according to a report by the World Economic Forum. But while Singapore posted an "excellent performance" across the board, it still lags behind the world's most prolific innovation powerhouses and cost pressures remain a concern.

(a) Explain why the comparative advantage of a country may change over time. [10]

(b) Discuss the effectiveness of the various economic policies the Singapore government could adopt to maintain her competitiveness in the global economy. [15]

Suggested answer for part (a):

Question Analysis	
Command	Explain why
Content	Change in comparative advantage
Context	No specific context ("a country")
Synopsis: Students are expected to briefly explain the concept of comparative advantage (CA) and provide at least 3 reasons why CA may change over time. The answer should focus on the idea of opportunity cost, using economic framework (e.g. PPC or DDSS diagram) and real-world examples to support the analysis.	

Introduction

- Define comparative advantage (CA)
  - The Theory of Comparative Advantage explains that trade can benefit all countries, as long as each country specialises in the goods in which they have a comparative advantage.
  - A country enjoys comparative advantage over another when it can produce a good with a lower opportunity cost in terms of other goods forgone.
- The CA of a country may change due to a change in the quantity and/or quality of its factor endowment, technological advancement or change in government policies.

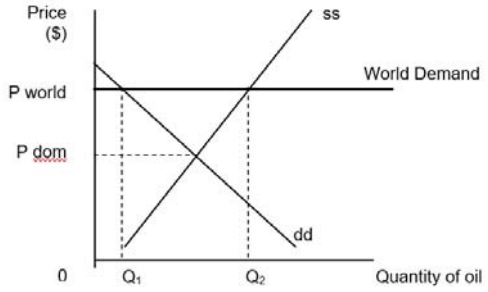
Body

- **Change in quantity and/or quality of factor endowment**
  - A country with more factor endowments would be more efficient in terms of the ability to produce more output relative to another country. Consequently, a change in the quantity and/or quality of these factor endowments would lead to a change in a country's CA.
  - For example, China, being the most populous country in the world, is endowed with abundant low-cost labour which allows her to specialise in the production of labour-intensive manufacturing products such as garments and shoes at a lower opportunity cost compared with other countries. But in recent years, labour costs in China have been driven up by strong export demand due to increased globalisation and an aging population leading to a tightening of the labour force. This has eroded China's CA in labour-intensive industries and they face increased competition from low-wage countries like Bangladesh (whose wages are a third of that in China), Myanmar and

Cambodia as firms start to move their operations there to take advantage of their lower labour costs.

- The CA of a country can also be eroded with the depletion of natural resources such as coal and oil. For example, countries like Brunei Darussalam whose economies are highly dependent on oil exports, is facing the prospect of losing its CA in the hydrocarbons industry as its level of oil reserves is slowly depleting. These countries therefore have to develop new areas of CA such as in eco-tourism to achieve its economic objectives.

- **Technological Advancement**
  - A change in technological capabilities could lead to a change in the relative opportunity costs of production and hence the CA a country would have over another.
  - For example, the US has gained CA in the production of oil in recent years as technological advancement has made fracking more economical, enabling shale oil to be extracted profitably from underground shale formations. The relatively low extraction cost of shale oil, made possible with technological advancement, translates to a lower opportunity cost of producing oil, leading to the US developing a comparative advantage in oil production. [Explain using PPC or DDSS diagram].



- **Change in government policies**
  - Governments may also play a role in determining the type of CA a country has and may encourage the development of new CA, especially in moving up the production chain, as part of their development strategy.
  - For example, the Singapore government has maintained flexibility in continually shifting towards new areas of CA to avoid direct competition with other low-cost manufacturers such as China. In the 1960s, Singapore used to have CA in the production of low-end manufacturing products but as she started to lose its cost advantage to other lower cost economies in the region, the Singapore shifted its focus to higher-end manufacturing capital intensive and knowledge-based industries. To create CA in these areas, the Singapore government implemented policies such as the Skills Future Scheme to enhance labour productivity through skills training and upgrading. To encourage R&D, infrastructure and facilities such as the Biopolis and R&D funding were made available to attract foreign direct investments and produce biomedical research services at a lower opportunity cost.

Conclusion

- Comparative advantage can either be given due to the economy's factor endowments or created due to active government policies. In the long-run, proactive economies such as Singapore may dedicate resources towards developing new areas of comparative advantage, while less proactive economies may face an erosion of comparative advantage due to depletion of existing resources.

Mark Scheme:

Knowledge, Application, Understanding and Analysis		
L3	• An accurate and well-developed explanation on what is meant by comparative advantage and why it may change over time. • Economic analysis is well-supported by the appropriate use of diagrams and real-world examples.	8 – 10
L2	• An undeveloped answer on what is meant by comparative advantage and why it may change over time but lacking in scope and depth. • Appropriate use of diagrams and examples but may not be explained or used to support economic analysis.	5 – 7
L1	• Descriptive answer that merely explains the theory of comparative advantage or identifies the sources of comparative advantage without elaborating on why it may change over time. • Limited application of economic analysis.	1 – 4

Suggested answer for part (b):

Question Analysis	
Command	Discuss
Content	Effectiveness of economic policies; maintain competitiveness in global economy
Context	Singapore government
Synopsis: Students are expected to provide a detailed explanation of the different economic policies that the Singapore government can adopt to maintain BOTH price and non-price export competitiveness in the global market. Analysis should also focus on the effectiveness of these policies in achieving its objectives as well as to highlight the policy limitations.	

Introduction

- Global competitiveness is a broad term which can be assessed by various economic indicators. The essay will focus on export price and non-price competitiveness.
- Identify the key characteristics of the Singapore economy, highlighting her reliance on trade and the importance of maintaining global competitiveness for growth:
  - Small economy in terms of domestic market size and lack of resources
  - Open in terms of size of flows of goods and services, labour and capital → access to global market and foreign imports to overcome resource constraints
- Singapore government can leverage on both demand and supply-side policies, as well as trade policies to improve her export competitiveness in the global market.

Body

Policy #1: Exchange rate policy (ERP)

- Explain how Singapore adopts a gradual appreciation of the exchange rate to improve on export price competitiveness through reducing imported inflation which in turn improves her competitiveness in the global market.
- Effectiveness of policy: Policy is effective in keeping prices of Singapore exports competitive as our exports have a high import content.
- Policy limitations:
  - Gradual appreciation of SGD means that our exports would become relatively more expensive in terms of foreign currency → this could potentially hurt our export price competitiveness.
  - Effectiveness also depends on exchange rate movements of our trading partners.

Policy #2: Trade policies (e.g. signing of FTAs)

- Explain how Singapore's pro-trade policies such as the signing of Free Trade Agreements can help to improve her export price competitiveness through the lowering of trade barriers and the increased flow of capital and labour to ease her resource constraints.
- Effectiveness of policy: Policy is effective in helping Singapore to diversity her export markets and ease the cost pressures arising from her resource constraints.
- Policy imitations:
  - FTAs are not exclusive to Singapore and the terms of the agreement depends on our bargaining power. Competitors can also negotiate with our trading partners and clinch a better deal such as greater tariff cuts and preferential customs treatment that can decrease costs, thereby eroding our competitive advantage.
  - Multilateral trade pacts which extend the same terms and conditions to all signatory countries may not enhance Singapore's export price competitiveness if our competitors are also a signatory to the same agreement.
  - The FTAs may shift production of raw materials away from lower-cost non-member producers to a higher-cost member economy which Singapore's export sector is dependent on. This will reduce Singapore's export price competitiveness as it shifts production away from economies with comparative advantage.

Policy #3: Supply-side policies

- Supply-side policies to enhance *export price competitiveness*:
  - Explain how Singapore adopts supply-side policies to enhance *export price competitiveness* through improved labour productivity to sustain the high wage cost (e.g. Productivity Innovation Credit Scheme, Skills Future Credit etc.)
  - Effectiveness of policy: A more sustainable solution to manage high wage costs.
  - Policy limitations:
    - Employers may not be willing to undergo training.
    - Policy tackles the **symptoms** instead of the root cause of the export price competitiveness (i.e. high wage) → may not be an appropriate policy.
- Supply-side policies to enhance *quality of exports*:
  - Explain how Singapore adopts supply-side policies to improve the *quality of exports* through innovation and R&D (e.g. Productivity Solutions Grant etc.)

- Effectiveness of policy: Policy is effective in helping Singapore to develop new areas of CA rather than competing directly with lower cost competitors such as Vietnam.
- Policy imitations:
  - Supply-side policies are long-run policies that are unlikely to enhance Singapore's competitiveness in the global economy in the short-run
  - Drain on government budget → limits ability to improve future competitiveness.

Conclusion / Evaluation

- Given the small and open nature of the Singapore economy, the main threats to Singapore's competitiveness tend to come from the external economy.
- Singapore's exports are losing competitiveness mainly due to competition from other lower cost economies such as China and India in the production of more capital-intensive goods which includes high-end electronics, pharmaceutical, services.
- Measures to increase price competitiveness may be insufficient to counter completely the lower costs in these economies. Thus, Singapore should focus more on boosting non-price competitiveness such as supply-side policies that promote export quality.
- Hence, supporting export quality to increase non-price competitiveness is the most important policy in improving global competitiveness.

Mark Scheme:

Knowledge, Understanding, Application and Analysis		
L3	• Developed explanation of policies used to maintain Singapore's price AND non-price export competitiveness with analysis of the effectiveness and limitations of each policy. • Appropriate use of economic concepts and well-explained diagrams to support the analysis with real-world examples applied in the context of the Singapore economy.	8 – 10
L2	• Undeveloped explanation of policies used to maintain Singapore's price and/or non-price export competitiveness with analysis of the effectiveness and limitations of each policy. • Appropriate use of economic concepts and diagrams to support the analysis with some application to the Singapore context. [Answer that focus on explaining the policies without analysis on its effectiveness in maintaining Singapore's competitiveness – max 6]	5 – 7
L1	• Weak explanation of policies with limited reference to the context of Singapore's competitiveness in the global economy. • Answer contains inaccurate economic concepts and/or largely irrelevant economic analysis.	1 – 4
Evaluation		
E3	Ability to weigh the effectiveness of the different policy measures in improving export price competitiveness and enhancing the quality of exports in context of the external threats faced by Singapore.	4 – 5
E2	Attempt to consider the effectiveness of the different policy measures but analysis is incomplete or inaccurate at times.	2 – 3
E1	Unexplained judgement	1