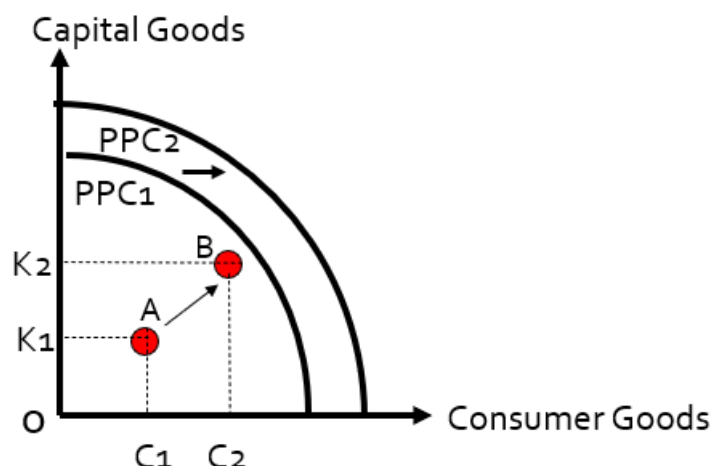


Question 2: Is ASEAN winning the globalisation game?

Suggested Answers

(a)	‘Higher levels of education will generate greater FDI inflows.’ (Extract 1)																			
	<p>(i) Explain how information in Figure 2 and Table 1 supports the above statement. [2]</p> <p>(ii) Explain why higher levels of education will generate greater FDI inflows. [2]</p>																			
	<p>(i) Reference from data given: Figure 2 shows that SG has the highest FDI inflows, followed by Vietnam then Thailand. Table 1 shows that adult literacy rates was highest for SG and lowest for Thailand.</p> <p>Thus, it can be inferred that SG with the highest education level experiences the highest FDI inflows while Thailand with the lowest education level experiences lowest FDI inflows. As such, the information in Figure 2 and Table 1 supports above statement.</p> <table><tr><th colspan="3">Markers’ Report</th></tr><tr><th colspan="2">Skills</th><th rowspan="2">Aha moment!</th></tr><tr><td colspan="2">Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?</td></tr><tr><td>(+)</td><td>Excellent answers. Almost all students got full marks for this.</td><td></td></tr></table> <p>(ii) Higher levels of education can lead to a more skilled workforce with higher labour productivity which can lower unit costs of production and increase profitability of investments. As a result, foreign investors are more likely to be willing to invest.</p> <table><tr><th colspan="2">Content</th><th rowspan="2">Aha moment!</th></tr><tr><td colspan="2">Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?</td></tr><tr><td>(-)</td><td>Students who did not score was due to their inability to link higher education levels to improvement in labour productivity or their inability to point to lower costs or higher profits for incoming foreign firms</td><td></td></tr></table>	Markers’ Report			Skills		Aha moment!	Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?		(+)	Excellent answers. Almost all students got full marks for this.		Content		Aha moment!	Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?		(-)	Students who did not score was due to their inability to link higher education levels to improvement in labour productivity or their inability to point to lower costs or higher profits for incoming foreign firms	
Markers’ Report																				
Skills		Aha moment!																		
Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?																				
(+)	Excellent answers. Almost all students got full marks for this.																			
Content		Aha moment!																		
Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?																				
(-)	Students who did not score was due to their inability to link higher education levels to improvement in labour productivity or their inability to point to lower costs or higher profits for incoming foreign firms																			
(b)	Using a production possibility curve diagram, explain how FDI inflows can affect a country’s current employment and future output. [5]																			

Diagram showing movement of point nearer to PPC & outward shift of PPC (1m)



Current employment:

Foreign Direct Investment (FDI) inflows can lead to greater creation of capital goods, which increases the derived demand for labour and other key factors of production. Assuming the economy is operating inside the Production Possibility Curve PPC1 at point A whereby there are unemployed resources, this would result in an increase in the employment of idle resources and the economy can move closer to a point on the PPC e.g. Point B.

Future output:

FDI inflows lead to capital accumulation, which increases the capital stock in the economy, ceteris paribus. This increase in capital stock will increase the productive capacity of the economy, resulting in an outward shift of the Production Possibility Curve (PPC) from PPC1 to PPC2, indicating a potential increase in future output.

Content		Aha moment!
Strengths (+): What are some concepts that were well-explained with clear linkages made?		
Areas for improvement (-): What are some concept gaps / conceptual errors?		
(-)	Some students were unable to produce the diagram.	
(-)	Some students build in AD/AS analysis which was not required	
(-)	While many students were able to explain how current employment could be affected, there were unable to link it to the PPC or how it would look like on the PPC diagram.	

(c) Explain one way in which the Regional Comprehensive Economic Partnership (RCEP) can affect the multiplier size of a participating country. [3]

The RCEP eliminates tariffs which allows for relatively cheaper imports in the domestic market whereby MPM may increase as households spend a larger

	<p>proportion of their additional income on imports instead of domestic goods. For a given increase in income, a larger proportion of the income is withdrawn from the circular flow, and a smaller proportion of the additional income is passed on in the inner flow to generate further streams of spending, income and output. Since $k = 1/MPW$ which includes MPM, multiplier size is smaller.</p> <table><tr><th colspan="3">Markers' Report</th></tr><tr><th colspan="2">Skills</th><th rowspan="2">Aha moment!</th></tr><tr><td colspan="2">Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?</td></tr><tr><td>(+)</td><td>Most students knew to unpack the trigger about participating in RCEP.</td><td></td></tr><tr><td>(-)</td><td>Many students did not provide a brief explanation of how the inner flow might be affected as a result of the participation in RCEP. Without such an explanation, their answer to change in k size became assertive whereby they relied solely on the formula to assert the change.</td><td></td></tr><tr><th colspan="2">Content</th><th rowspan="2">Aha moment!</th></tr><tr><td colspan="2">Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?</td></tr><tr><td>(+)</td><td>Majority of the students were able to provide the formula for calculating k size as $1/MPW$ or $1/1-MPC_d$.</td><td></td></tr><tr><td>(-)</td><td>Some students were not sure what the MPW constituted, with some including MPC as part of MPW.</td><td></td></tr><tr><td>(-)</td><td>Some students misinterpreted the size of k as extent of multiplier effect or extent of change in NI. Hence, answers erroneously included links to change in injections in the form of X or FDI, or increase in availability of spare capacity as a result of increase in investments.</td><td></td></tr></table>		Markers' Report			Skills		Aha moment!	Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?		(+)	Most students knew to unpack the trigger about participating in RCEP.		(-)	Many students did not provide a brief explanation of how the inner flow might be affected as a result of the participation in RCEP. Without such an explanation, their answer to change in k size became assertive whereby they relied solely on the formula to assert the change.		Content		Aha moment!	Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?		(+)	Majority of the students were able to provide the formula for calculating k size as $1/MPW$ or $1/1-MPC_d$.		(-)	Some students were not sure what the MPW constituted, with some including MPC as part of MPW.		(-)	Some students misinterpreted the size of k as extent of multiplier effect or extent of change in NI. Hence, answers erroneously included links to change in injections in the form of X or FDI, or increase in availability of spare capacity as a result of increase in investments.	
Markers' Report																														
Skills		Aha moment!																												
Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?																														
(+)	Most students knew to unpack the trigger about participating in RCEP.																													
(-)	Many students did not provide a brief explanation of how the inner flow might be affected as a result of the participation in RCEP. Without such an explanation, their answer to change in k size became assertive whereby they relied solely on the formula to assert the change.																													
Content		Aha moment!																												
Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?																														
(+)	Majority of the students were able to provide the formula for calculating k size as $1/MPW$ or $1/1-MPC_d$.																													
(-)	Some students were not sure what the MPW constituted, with some including MPC as part of MPW.																													
(-)	Some students misinterpreted the size of k as extent of multiplier effect or extent of change in NI. Hence, answers erroneously included links to change in injections in the form of X or FDI, or increase in availability of spare capacity as a result of increase in investments.																													
(d)	<p>With reference to Table 1, discuss whether it can be said that Thailand has a higher standard of living than Vietnam in 2022. [8]</p>																													
	<p>Introduction: Standard of living (SOL) comprises of 2 aspects – material and non-material. To compare the SOL of both countries holistically, a variety of indicators have to be used.</p> <p>Development 1: SOL is higher for Thailand than Vietnam</p> <p>GDP per capita (USD) was higher in 2022 for Thailand. Definition of GDP + Explain that per capita data would have accounted for population size differences between Vietnam and Thailand.</p>																													

Inference: This suggests that an average citizen in Thailand has a higher purchasing power than an average citizen in Vietnam, hence they are able to consume more normal goods. Consumption of goods and services is higher for the average citizen in Thailand and thus Thailand can be said to enjoy a higher material SOL than Vietnam.

In addition, Thailand's life expectancy was higher than Vietnam's.

Inference: As non-material SOL are influenced by socio-economic and environmental factors, a higher life expectancy could indicate access to better quality healthcare and sanitation, as well as lesser pollution of the environment. Thus, quality of life is higher in Thailand and non-material SOL is higher.

Development 2: SOL may be higher for Vietnam than Thailand

That said, non-material SOL can be affected by other factors such as literacy rates. **Table 1 shows that adult literacy rates is higher in Vietnam compared to Thailand.**

Inference: This could mean more knowledge on healthcare and hygiene practices, allowing for better quality of life as well as better career prospects for the average adult in Vietnam, which could reduce their stress over financial concerns. Hence non-material SOL may be higher for Vietnam.

In addition, **Table 1 shows that percentage of people living below poverty line is higher in Thailand.** It can be inferred that the income distribution may be more unequal in Thailand than Vietnam.

Inference: For those living below the poverty line, it could mean very limited ability to consume goods and services, indicating very low material SOL. The more unequal the distribution of income, the larger the proportion of national income being enjoyed by the higher incomes. It is more likely that the average citizen has a much lower income than what is reflected of a GDP per capita data and GDP per capita figures may be an overstated reflection of the average Thai's purchasing power. Hence, it cannot be said for sure that Thailand's material SOL is higher than Vietnam's.

Overall Conclusion:

Criterion – Availability and reliability of information

Opinion – Overall, it cannot be said that Thailand's SOL is indeed higher than Vietnam's in 2022.

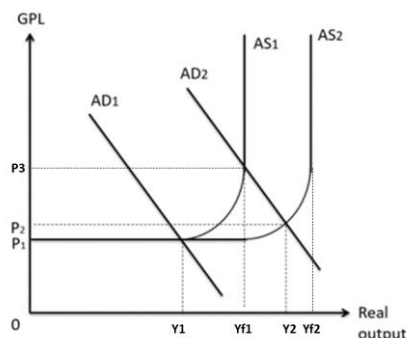
Reasoning – More information is needed to ensure a fair comparison of the SOL across countries. For instance, GDP per capita is a rough estimate for material SOL and does not account for differences in the cost of living across the 2 countries. For a more accurate estimate of material SOL, GDP per capita adjusted for purchasing power parity should be provided. In addition, non-material SOL is hard to compare given the multiple factors that can influence quality of life. Even with life expectancy and literacy rates, information on stress levels, crime rates and pollution may allow for a more accurate comparison of non-material SOL.

Mark Scheme		
Level	Knowledge, Application/Understanding, and Analysis	Marks
L2	A well-developed explanation that has <ul style="list-style-type: none"> • good scope and balance – explain material + non-material SOL & balanced analysis • good rigour • good application to context through consistent use of Table 1 	4 – 6
L1	For an underdeveloped answer that lacks <ul style="list-style-type: none"> • scope and balance – only explains material / non-material SOL OR one-sided analysis • rigour and/or • application to Table 1 	1 – 3
Level	Evaluation	Marks
E	<ul style="list-style-type: none"> • For a well-substantiated judgment that recognise the limitations of given indicators, in particular the lack of GDP per capita adjusted for purchasing power parity to compare material SOL across countries. 	1 – 2

Markers' Report		
Skills Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?		Aha moment!
(+)	Majority of the students demonstrated the ability to make relevant inferences from the indicators provided in Table 1.	
(+)	Majority of the students knew to provide a balanced answer by considering instances where Thailand seemed to have higher SOL than Vietnam and vice versa.	
(-)	Some students did not make full use of the indicators given and chose to focus on some indicators that were not as significant compared to the rest.	
Content Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?		Aha moment!
(+)	Majority could give decent explanation of how the GDP per capita data could reflect the material SOL of the country.	

	(+)/ (-)	Students knew to identify limitations of the indicators given in the Table but were not able to provide the key indicator (GDP per capita adjusted for PPP) required for comparison of SOL across countries.	
	(-)	While majority knew to use literacy rates and life expectancy for non-material SOL comparisons, answers were largely assertive and did not clearly explain how the indicators were reflective of the quality of life.	
	(-)	Many students tried to use the data on percentage of population below poverty line but were not able to correctly link it to its impact on material SOL.	
	(-)	Many students suggested the use of HDI despite the Table already providing info on literacy rates and life expectancy. These two non-material SOL indicators are the ones included in the computation of HDI, hence students will need to put forth a very strong justification for why the HDI is still needed.	
	(-)	Many students also mentioned about using Gini coefficient though a similar data (% of population below poverty line) was given in Table 1. Students who proposed this will need to put forth a very strong justification for why the Gini coefficient is still needed.	
(f)	Discuss whether the benefits will outweigh the costs for ASEAN economies by increasing intra-ASEAN economic cooperation, rather than economic cooperation with countries beyond ASEAN. [10]		
	<p>Introduction: Economic cooperation, both intra-ASEAN and beyond ASEAN, could lead to increased trade, capital, labour and tech flows. Both can bring about benefits and costs to the ASEAN economies, but the extent of these impacts will differ.</p> <p>Development 1: Impacts of intra-ASEAN economic cooperation <i>Extract 7 mentions that intra-ASEAN connectivity is needed to attract more FDIs into the region.</i> <i>Increased free trade → increases export revenue for participating countries → AD increases.</i> <i>Greater intra-ASEAN connectivity → increases FDIs → AD and LRAS increases.</i></p> <p>(+) Sustained growth can be achieved for ASEAN economies. Intra-ASEAN economic cooperation opens opportunities to expand trade between countries, giving these countries access to enlarged global markets. Demand for their exports rises, increasing export revenue. Intra-ASEAN economic cooperation also increases capital flows across countries as firms are more able to invest in foreign countries that offer low-cost conditions. Volume of foreign direct investment (FDI) increases for these countries. With the increase in net export revenue and FDI, AD increases from AD1 to AD2. Real output increases by a multiplied amount from Y1 to Yf1 and there is actual growth.</p>		

In addition, the inflow of capital and labour from FDI brings along with them skills and knowledge. This allows for an increase in the quantity and quality of an economy's resources, increasing the productive capacity of the economy. AS increases from AS1 to AS2, and there is potential growth. Full employment output increases from Yf1 to Yf2.



With actual and potential growth, a country can thus achieve sustained growth over time, where real output further increases with lower GPL or stable prices.

(-) Rising costs of production within the region → cost-push inflation and loss of export competitiveness for ASEAN goods.

However, there are costs to intra-ASEAN economic cooperation. The unit cost of production may increase because many ASEAN countries are currently reliant on China for factor inputs, suggesting that China may have a comparative advantage in producing those inputs. Switching to trading partners within the ASEAN region could conflict with the theory of comparative advantage and result in a loss of welfare gains, as ASEAN countries may not produce these inputs at relatively lower opportunity costs.

Development 2: Impacts of economic cooperation beyond ASEAN

Extract 6 mentions that RCEP is the world's largest trade agreement and with tariff elimination for about 92% of goods traded.

(+) Possibly *much higher* actual growth and potential growth.

There is a much more significant increase in exports when focusing on broader trade agreements, such as the Regional Comprehensive Economic Partnership (RCEP), compared to focusing solely on intra-ASEAN trade. This leads to a larger increase in aggregate demand (AD).

RCEP also facilitates greater connectivity between ASEAN economies and other countries, enhancing the region's attractiveness as a destination for Foreign Direct Investment (FDI). With tariff removal and preferential market access under RCEP, multinational corporations (MNCs) may choose to relocate their firms and factories to the ASEAN region to take advantage of these benefits, resulting in an increase in investment (I), which further boosts AD and increases the long-run aggregate supply (LRAS). As shown in Figure 1, FDI inflows from outside ASEAN are much higher than intra-ASEAN flows, indicating there is much more to gain in terms of increased investment.

(-) Instability to ASEAN economies due to vulnerability to external shocks beyond the ASEAN region.

Extract 7 mentioned that China is looking inward and that major economies outside ASEAN are focusing on localising their production. Additionally, reliance on other countries, such as China, can make economic growth very volatile. For example, when there are supply disruptions in China, such as during COVID-19 lockdowns, the unit cost of production rises. The dependence on imported inputs from China can lead to sharp increases in unit costs for ASEAN economies, causing a decrease in short-run aggregate supply (SRAS). If these disruptions are sustained, it could lead to cost-push inflation.

Conclusion – Overall EV:

Criterion - Depends on the nature of economy

Opinion – For small and developed economy like SG, there is more to gain to cooperate beyond ASEAN, but for relatively larger and developing economies like Vietnam, there is a lot to gain from intra-ASEAN connectivity.

Reasoning - For small and developed economy like SG, there is more to gain to cooperate beyond ASEAN as it is part of higher value chain and specialises in higher value-added inputs that are in demand in countries like China and US. While ASEAN economies also provide a large consumer market, the rising middle-income population in ASEAN will only provide a more significant substitute for Singapore's current trading markets in the future (i.e. 2030). On the other hand, countries like Vietnam have low costs environment that makes it attractive to low-valued manufacturing firms. However, to cater to the firms' need for resilient supply chains, it will need to decouple itself away from countries like China and seek suppliers of inputs within ASEAN region. This would help make it more attractive for foreign investors to choose these ASEAN economies over China.

Mark Scheme

Level	Knowledge, Application/Understanding, and Analysis	Marks
L2	<ul style="list-style-type: none"> Thorough knowledge and an excellent ability to explain benefits and costs of economic cooperation – INTRA ASEAN and beyond ASEAN for ASEAN economies Answer should provide clear reference to case material and incorporate the usage of AD-AS analysis <p>For low L2:</p> <ul style="list-style-type: none"> One-sided answer that is well-developed. One that considers the costs and benefits of either forms of economic cooperation or where the form of economic cooperation is not distinguished. OR One-sided answer that is well-developed. One that considers the costs or benefits of economic cooperation for both intra and beyond ASEAN. OR 	4 – 7



		<ul style="list-style-type: none">Two-sided answer that demonstrates sufficient knowledge of the two forms of economic cooperation and their related costs and benefits.	
	L1	<ul style="list-style-type: none">Answer shows some knowledge of the benefits and costs of question requirementsMeaning of question not properly grasped (benefits and costs without reference to ASEAN economies)Basic errors of theoryInadequately explained <p>For 1-2m:</p> <ul style="list-style-type: none">A few valid pointsResponse is mostly irrelevant or inaccurate	1 – 3
	Level	Evaluation	Marks
	E2	Synthesises economic arguments to arrive at well-reasoned judgements on whether ASEAN economies, on balance benefit more from intra-ASEAN or beyond ASEAN economic cooperation.	2 – 3
	E1	Unsupported evaluative judgment.	1

Markers' Report		
Skills		Aha moment!
Strengths (+): What are the required skills that were well-demonstrated? Areas for improvement (-): What are the skills that were lacking/ not well-demonstrated?		
(+)	Majority of the students understood that they have 2 main parts / requirements to address.	
(-)	This question is not well attempted, with many students misinterpreting the question requirement which looks at the benefits and cost of economic cooperation in general instead of looking at intra and beyond ASEAN co-operation specifically.	
(-)	Candidates either quoted case materials excessively or none at all. There were a number of candidates who provided theoretical impacts of trade without making reference to the benefits and costs mentioned in the case material.	
(-)	Lack of use of AD/AS analysis in students' response to strengthen their economic reasoning and clarity.	
Content		Aha moment!
Strengths (+): What are some concepts that were well-explained with clear linkages made? Areas for improvement (-): What are some concept gaps / conceptual errors?		
(+)		

	(-)	Cost-Push Inflation Explanation: While cost-push inflation was mentioned, the connection between rising costs of production and the resulting loss of export competitiveness could be elaborated more thoroughly. The link between higher input costs and a decrease in SRAS wasn't fully explained, weakening the overall argument.		
	(-)	External Shocks and Vulnerability: The mention of reliance on external economies like China creating vulnerability to external shocks was accurate but lacked a deeper discussion on how this dependence could lead to supply chain disruptions and volatility in economic growth for ASEAN countries.		
	(-)	<p>A significant portion of the students mistakenly identified the RCEP (Regional Comprehensive Economic Partnership) and China as part of intra-ASEAN cooperation, which indicates a conceptual error.</p> <p>RCEP is a <i>broader trade agreement</i> that includes not just ASEAN member states but also external partners such as China, Japan, South Korea, Australia, and New Zealand. It is aimed at fostering trade relations <i>beyond ASEAN</i>, not just within the region.</p> <p>Students seemed to combine RCEP with <i>intra-ASEAN cooperation</i>, which refers to economic agreements and trade initiatives <i>specifically within the ASEAN bloc</i>.</p> <p><i>Intra-ASEAN cooperation</i> focuses on strengthening trade, capital, labour, and investment flows <i>between ASEAN countries</i>. It is distinct from ASEAN's external trade relationships, such as those formed through RCEP.</p> <p><i>China</i> is not an ASEAN member but a major trading partner. Collaborating with China through RCEP or bilateral agreements falls under <i>inter-regional cooperation</i>, not intra-ASEAN cooperation.</p>		
	(-)	<p>For evaluation, many students concluded that intra-ASEAN cooperation is uniformly beneficial for all ASEAN countries. For countries like Singapore, cooperation beyond ASEAN—such as through global trade agreements—may be more advantageous due to their focus on high-value exports and the need for diverse supply chains. Singapore benefits more from engaging with larger, more advanced markets outside ASEAN, making a broader approach to economic cooperation potentially more beneficial.</p> <p>When writing evaluation, students should have evaluated both sides of the argument, recognising that while intra-ASEAN cooperation is important, for countries like Singapore, broader cooperation beyond</p>		

		ASEAN may offer more strategic and economic benefits. This would demonstrate a stronger and more critical understanding of how different economies have varying priorities in trade agreements.		
--	--	---	--	--



MY REFLECTION/LEARNING POINTS FROM CSQ1

After going through the corrections in class and reviewing the suggested answers to CSQ1, here is my...

1 reflection/learning point with respect to SKILLS:

1 reflection/learning point with respect to CONTENT:

