



TAMPINES MERIDIAN JUNIOR COLLEGE

JC2 MID-YEAR EXAMINATION

H2 ECONOMICS

9570

25 June 2024

3 hours

Additional materials

Answer Booklets

READ THESE INSTRUCTIONS FIRST

Begin each section on a new answer booklet. Section A, B and C are to be submitted separately.

Section A: Case Study

Answer the **compulsory** case study question.

Begin this section on a **12-page answer booklet**.

Section B : Essay Question

Attempt **one** out of two essay questions.

Begin this section on a **4-page answer booklet**.

Section C : Essay Question

Attempt **one** out of two essay questions.

Begin this section on a new **4-page answer booklet**.

The number of marks is given in brackets [] at the end of each question or part question.

Section A

Answer **all** questions in this section.

Question 1: Economic issues in China and Singapore

Extract 1: China wants to curb steel production

In the first half of 2021, Chinese steel mills have churned out nearly 12 per cent more crude steel compared to the same period in 2020, according to Wood Mackenzie, a global provider of data and analytics for the energy transition. The steel sector is one of the biggest polluters in China, producing around 10 per cent to 20 per cent of carbon emissions in the country. Steel production requires large inputs of coke (a sort of coal) which is extremely damaging to the environment. Coke ovens emit air pollutants such as naphthalene that is highly toxic and can cause cancer. Beijing has targeted the industry as part of its bid to reduce carbon emissions and reach net-zero by 2060.

It will be “virtually impossible” for China to produce less steel this year compared to last year, Rohan Kendall, head of iron ore research at Wood Mackenzie, said at the Singapore Iron Ore Forum. However, an executive at Chinese steelmaker Hesteel, said steel mills must pay more attention to lowering their production in order to abide by government policy, especially state-owned mills. China says it is committed to continuing production cuts in steel, and its mills in steelmaking city Tangshan have reportedly lowered output after being warned of punishments if they overproduce.

But not everyone agrees that the government will have its way. It is very difficult for the authorities to control production given the number of private and state-owned mills in China, said Zhuang Bin Jun, a former business development group manager at Fortescue Metals.

Source: *www.cnn.com*, 1 August 2021

Table 1: China's macroeconomic indicators

| | 2018 | 2019 | 2020 | 2021 |
|------------------------------|-------------|-------------|-------------|-------------|
| Real GDP growth (%) | 6.75 | 5.95 | 2.24 | 8.45 |
| Inflation rate (%) | 2.11 | 2.90 | 2.39 | 0.85 |
| Population growth (%) | 0.38 | 0.33 | 0.15 | 0.03 |
| GINI coefficient | 0.468 | 0.465 | 0.468 | 0.466 |

Source: *Statista*, accessed March 2024



Extract 2: Why a more inward-looking China is bad news for the world economy

Ever since the 2008 global financial crisis, when the West's reliability as a trading partner was thrown into question, self-reliance has become a more decisive organising principle for Chinese officials. As a result, the export-dependent growth model on which China built its economic rise in recent decades has been fraying. Exports as a share of China's GDP peaked at 35 per cent in 2007 but had fallen to around 20 per cent by last year, a level not seen since before China's accession to the World Trade Organisation in 2001. This shows that external factors like net exports no longer make any meaningful contribution to Chinese GDP growth.

Although China's inward tilt towards self-reliance may have started out as a response to purely economic phenomena – the post-crisis global recession, belt-tightening in the West, the Eurozone crisis, and a general softening of global trade growth in the post-crisis years – China's more inward-looking development path became clear in its response to the aggressive tariffs and export controls introduced by the Trump administration in the United States.

The more obvious result of China's inward-looking approach is a rebalancing of China's economy away from a reliance on external demand as a stimulus to growth towards increased dependence on domestic factors. China is reducing its economic dependence on the West by reshaping trade and investment links. A greater push has been made for 'stronger, better, and bigger' state-owned enterprises (SOEs) and the past five years have indeed seen a measurable rise in the role that SOEs play in the Chinese economy. These firms now account for more fixed investment in the economy than private foreign firms, for the first time since 2005.

Since its dependence on imported technology, food, and fossil fuels has created a substantial strategic vulnerability, Chinese policymakers will likely attempt to build up the country's ability to supply its own semi-conductors, food, and green energy source over the next few years. This all amounts to a more inward-looking Chinese economy that is more dependent on internal factors rather than external factors for its growth. For China itself, growth is likely to suffer, since there is a wealth of analysis to suggest that the efficiency of SOE-led investments is lower than that of foreign direct investments. For the rest of the world, a China that is more inclined to buy its own stuff than import also means other countries will receive less of a boost to their economic activity per unit of China's GDP. And that is bad news for the world economy.

Source: Adapted from *Chatamhouse.org*, 2022



Extract 3: Singapore and the United Kingdom (UK) sign green economy pact for sustainable energy, transport and finance

Sustainability consists of fulfilling the needs of current generations without compromising the needs of future generations, while ensuring a balance between economic growth, environmental care and social well-being.

Without major changes to the way the planet is run, it will suffer irreparable damage. As concerns about climate change, biodiversity loss, and pollution have become more widespread, the world has shifted to embrace sustainable practices and policies, primarily through the implementation of sustainable business practices and increased investments in green technology.

As energy is not subsidised in Singapore, companies are incentivised to use energy judiciously and embrace new energy efficient technologies. Strong pollution control laws also encourage industries to switch to cleaner fuel sources such as natural gas. The Singapore government facilitates the adoption of energy efficient and emissions reducing technologies through grants and other policy tools to overcome high upfront capital investments and other non-market barriers.

Singapore also inked a deal with the UK to create business opportunities in the clean energy, low-emission transport, and sustainable finance sectors. The UK-Singapore Green Economy Framework will support economic growth and job creation, while encouraging the decarbonisation of economic activities. The cooperation will start with a focus on three key pillars: green transport; low-carbon energy and technologies; and carbon markets and sustainable finance. Singapore's Minister-in-charge of Trade Relations said, "We look forward to catalysing green growth opportunities while promoting decarbonisation, in partnership with our people, academia and businesses."

Source: *Various*



Questions

- (a) Using a diagram, explain the impact of a possible steel production quota in China's steel market. [3]
- (b) With reference to Extract 1, explain the rationale behind the government's action to curb steel production in China. [4]
- (c) Using any two indicators in Table 1, explain whether they are reliable to measure the changes in China's standard of living over time. [5]
- (d) Discuss whether China should rely more on domestic or external factors to further boost its growth rates. [8]
- (e) Discuss the extent to which various supply-side policies can be used by the Singapore government to achieve sustainable economic growth. [10]

[Total: 30]



Section B

Answer **one** out of two essay questions in this section.

Either**Question 2**

Apple is quietly making a series of acquisitions of Artificial Intelligence (AI) startups, gaining access to top-tier talent and innovative technologies. However, it is facing scrutiny from antitrust officials as the Federal Trade Commission of the United States demands information about its acquisitions that may have eliminated emerging competitors and increased prices for consumers.

Source: adapted from *Financial Times*, 24 January 2024

- (a) Explain a possible cost advantage and a possible revenue advantage for Apple in acquiring AI startups. [10]
- (b) Discuss whether consumers will be disadvantaged by market dominance and what might be the most appropriate form of government intervention. [15]

Or**Question 3**

Different sources of information failure exist in the preventive healthcare market and the healthcare insurance market. In the preventive healthcare market, efforts have been made by the Singapore government to encourage regular health screenings to enhance long-term health outcomes.

- (a) Explain how information failure in the preventive healthcare market and **another** form of information failure in the healthcare insurance market could lead to market failure. [10]
- (b) Discuss the most appropriate policy measures the Singapore government should take to address information failure and inequitable distribution of resources in the market for preventive healthcare. [15]



Section C

Answer **one** out of two essay questions in this section.

Either

Question 4

Inflation in Singapore has generally been low over the last four decades. However, consumer prices increased by 6.1% in 2022. The dramatic rise in inflation is due to the strong pent-up demand arising from the removal of post-covid restrictions and disruptions to supply due to the outbreak of the Russia-Ukraine war which involves two countries that are major suppliers of oil and gas.

Source: Monetary Authority of Singapore, 2024

- (a) Explain **one** internal and **one** external factor that could lead to inflation in a country. [10]
- (b) Discuss whether an appreciation in Singapore's exchange rate is the most appropriate way to achieve price stability. [15]

Or

Question 5

In February 2024, Singapore's former Deputy Prime Minister Lawrence Wong stated that technological advances will mean that some job roles will become obsolete but new job roles will continue to be created. Hence, it is very important for mid-career workers those aged 40 and above to have a significant reboot in their skills, and that is what the SkillsFuture enhancement is about.

Source: Adapted from *Today Online*, 21 February 2024

- (a) Explain how a fall in investment might lead to one type of unemployment while a rise in technology advancement might lead to a different type of unemployment. [10]
- (b) Discuss whether supply-side policies such as SkillsFuture would be the most effective in reducing unemployment in Singapore. [15]

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