



CATHOLIC JUNIOR COLLEGE
JC2 PRELIMINARY EXAMINATIONS
In preparation for
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/01

Paper 1

28 Aug 2013

0800 - 1015

Additional Materials : Writing Paper

2 hours 15 min

READ THESE INSTRUCTIONS FIRST

Write your name, class and question number on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use highlighters, glue or correction fluid.

Begin each question on a new sheet of paper.

Answer **ALL** questions.

At the end of the examination, **hand in ALL questions separately.**

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

Question 1**Rare Earths****Extract 1: China's dominance of rare earths**

According to market research reports, there is a growing global dependence upon a multitude of diverse technologies — including computers, smart phones, TVs, lighting systems, hybrid automobiles, life-saving medical technologies, offshore wind turbines and laser-guided missile defense systems – due to the central role telecommunication and high-tech electronic products play in our lives today.

China produces more than 95 per cent of the metals that are important for the manufacture of a variety of consumer electronics, such as mobile phones, as well as automotive, advanced medical and defence products. Since 2009, the country has been reducing sales of these metals overseas.

Last month, Japan, the US and the European Union lodged a complaint with the World Trade Organisation over China's restrictions on the export of a variety of raw materials including rare earths.

For its part, Beijing has cited concerns such as the exposure of miners to cancer-causing chemicals as some of the key reasons for tidying up its rare-earth sector and capping exports. While environmental protection is a valid reason, research analysts questioned if Beijing's reduction of export quota is truly motivated by green concerns. Analyst reports indicate that the production quota has been on a rise while the export quota has been in the downward trend.

Adapted from: *The Straits Times*, 14 April 2012,

Extract 2: New trade dispute with China over rare-earth curbs

The United States, European Union, (EU) and Japan are accusing Beijing of maintaining export restrictions on them that distort prices and hurt job creation.

China vowed to defend itself against the complaint, which was filed with the World Trade Organisation (WTO) in Geneva yesterday. It is arguing that the restrictions were not protectionist but are meant to help prevent environmental damage from excessive mining of the rare metals.

The official Xinhua news agency also warned in a commentary that the case could trigger a "backlash", though it gave no indication as to what retaliatory moves Beijing might take.

Senior US officials noted that they chose to act to prevent Beijing from introducing more export restrictions. "We can't leave this to chance (as) it could have a crippling effect on our manufacturing and industrial sectors," said one of the officials. "The fact that we are joined by the EU and Japan speaks to the seriousness of (the issue)."

President Barack Obama said the economic stakes involved were too important for his administration to do nothing, and urged Beijing to allow market forces to determine the rare-earth trade. "We prefer dialogue, especially with key trading partners like China... but when it is necessary, I will take action if our workers and our businesses are being subjected to unfair trade practices," Mr Obama added.

In a statement, US Trade Representative Ron Kirk said China's rare-earth policies hurt American workers and manufacturers by creating "massive distortions and harmful disruptions in supply chains for these materials throughout the global marketplace".

"The improper export restraints also contribute to creating substantial pressure on US and other non-Chinese downstream producers to move their operations, jobs and technologies to China," he added.

The trade restrictions are not new as the mainland has set export quotas on the valuable minerals since 2000, and introduced export duties from 2007. But the restrictions and duties were dramatically raised in the last two years, prompting serious concerns among global manufacturers. In 2010, it also halted exports of rare earths to Japan amid a heated diplomatic dispute.

China has defended its policy on environmental grounds, saying that the production cap and export quotas were necessary to prevent excessive mining. This is despite China urging its enterprises to invest in pollution control and technology upgrading to enhance the environmental protection level of the industry.

"China's rare-earth export restriction is not against any specific country, nor is it a kind of trade protectionism. Instead, the policy was drawn up out of concern for the environment and the sustainable use and development of resources," said Mr Miao Wei, the Chinese Minister for Industry and Information Technology.

China's leaders have taken a hard line on trade of late, imposing fresh tariffs on imported poultry and sport-utility vehicles. A Chinese official declared defiantly that "we are fully prepared" to fight any challenge on rare earths.

Adapted from *Straits Times*, 14 March 2012 and *China Daily*, 21 June 2013

Extract 3: Set to enter the rare earths industry

Australia

Lynas, an Australian rare earths mining company plans to import ore from Mount Weld in Western Australia, which is said to be the source of the richest rare-earth deposits in the world, for processing in Malaysia. Lynas chose Malaysia to process the materials because labour and other costs are cheaper than they are in Australia. It said its plant would be safe, and is far more advanced than the first rare-earth plant operated by Mitsubishi Chemical in the mid-1980s. The Lynas Malaysian plant will break China's monopoly when it is able to process an initial 11,000 tonnes of rare earths a year – about a third of current world demand – once output begins in June.

Japan

Japan, which found supplies restricted and even cut off for two months in 2010 over a territorial dispute with China in the East China Sea, is among the countries looking for alternative supplies. It has signed agreements with India, Vietnam and Kazakhstan to develop rare earth minerals. Against this backdrop, China yesterday announced it was raising its export quota for this year to 30,996 tonnes, up 2.7 per cent from last year.

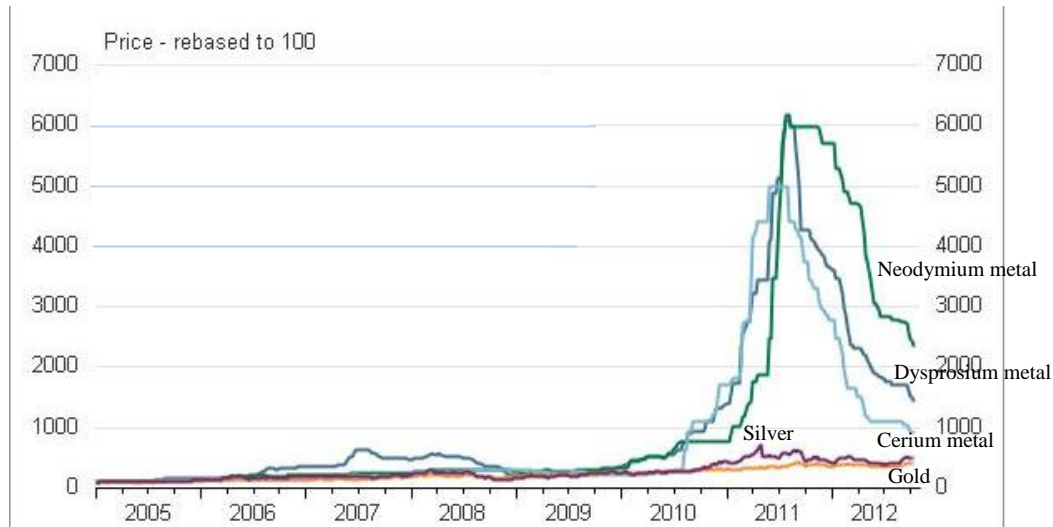
India

India is trying to revive its dormant rare earths industry, seeing an opportunity as top producer China restricts exports of the minerals. Indian Rare Earths (Irel), a state-owned company, is set to start producing rare earth minerals in December and has applied for a mining licence in the state. Irel was producing rare earth minerals until 2004, when it closed because it could not compete with Chinese rivals. China squeezed out big and small players, from India to the US, in the last decade with lower pricing and higher volumes. India's annual production has hovered at 2,700 tonnes. Analysts predicted it could take five to eight years for India to set up shop and dip into its rare earth reserves, estimated at 3.1 million tonnes.

"India has enough resources and can even meet the Japanese demand... but it will take time to revamp the whole mining sector," said Professor Srikanth Kondapalli of the Jawaharlal Nehru University. But just as China is intent on preserving its natural resources, India too is geared towards its own market, before considering exports.

Adapted from *The Straits Times*, 27 February 2012 and 23 August 2012

Figure 1: Rare earth* prices versus gold and silver



*Neodymium, Dysprosium, Cerium metals are examples of rare earth

Source: *Reuters*, 15 October 2012

Questions

- (a) (i) Describe the trend in rare earth prices between 2005 and 2012. [2]
- (ii) Account for the above overall trend. [4]
- (b) What can you conclude from the data about the price elasticity of supply of rare earths in India? [2]
- (c) Explain the impact of the entry of Australia, Japan and India on the profit of China's rare earth producing firms. [4]
- (d) To what extent will the use of 'pollution control and technology upgrading' help to achieve a more efficient allocation of resources in the rare earth market? [8]
- (e) Discuss the desirability of World Trade Organisation's intervention over China's export restrictions of rare earths to consumer welfare. [10]

[Total Marks: 30]

Question 2

The Tale of 2 Economies

Table 1 : Key Economic Indicators

	2008	2009	2010	2011	2012
Nominal GNI (USD \$millions)					
Singapore	170,769	183,732	216,147	243,010	271,585
Finland	273,138	243,201	238,757	264,394	249,861
Current Account (USD \$millions)					
Singapore	28,838	33,482	62,026	65,323	51,437
Finland	8,941	6,681	5,901	-1,781	-3,679
Unemployment (% of labour force)					
Singapore	3.2	4.3	3.1	2.9	2.8
Finland	6.3	8.2	8.4	7.7	7.8
Inflation (%)					
Singapore	6.5	0.6	2.8	5.3	4.5
Finland	4.1	0	1.2	3.4	2.8

Source: *The World Bank Data, Singstat, Statistics Finland*

Extract 4: Recession besets Finland

"Growth has been extinguished in Europe," said Roger Wessman, Helsinki-based chief economist at Nordea Bank AB. Finland's job losses and export slump are driving the nation into a recession as growth in its European trade partners evaporates. Finnish exports fell an annual 8 percent in September, with sales to the European Union plunging 14 percent, the customs office said yesterday. New orders for the technology industry have contracted for five consecutive quarters. Companies interested in buying Finland's investment goods have struggled to obtain funding, said Jorma Turunen, chief executive officer of the Federation of Finnish Technology Industries, whose members produce 60 percent of the country's exports and employ a quarter of its workforce.

However, in 2010, Finland topped Newsweek's list of the world's best countries and was named the second happiest country by the Gallup World Poll and the Organization for Economic Co-Operation and Development. Newsweek's study calculated scores based on categories of health, education, quality of life, economic dynamism and political environment.

From an objective standpoint, Finns experience a high quality of life, low levels of corruption, high literacy rates, a small income gap, wide access to health care, high life expectancy rates and a healthy work-life balance. But there are other, more personal factors that help paint a fuller picture of the levels of happiness or unhappiness in a particular country. The New Economics Foundation's National Accounts of Well-being project profiles European countries based on how citizens feel about their own happiness. Finland's Well-being profile, for instance, scores especially high in the "Absence of Negative Feelings" category, but just a bit above average in the "Positive Feelings" category.

Source: *BBC*, 22 June 2011 and *Bloomberg*, 8 Nov 2011

Extract 5: China faces pressure from US on foreign exchange policy

The growth of China's exports in November has dropped to its lowest level since December 2009 as demand for made-in-China goods shrank due to the escalating European debt crisis. Experts said the outlook of the nation's exports would be gloomier in the coming year. Excluding distortions in January and February each year, the rise was the most minimal since China's export resumed growth in 2009. Slowing global growth and the debt crisis in Europe dampened overseas demand and slowed exports. After US President Barack Obama further pressured China to strengthen the Chinese Yuan, China looked to improve trade relations with Association of Southeast Asian Nations (ASEAN).

During the past 11 months, China's trade volume with the European Union rose by 19.2 percent to \$517.11 billion, while its trade with the US totalled \$405.43 billion up 16.9 percent. Both increases were weaker than China's foreign trade growth of 23.6 percent in the same period. China is focusing on strengthening trade with emerging markets. China's trade with members of the ASEAN came up to \$328.96 billion in the first 11 months, increasing 25.1 percent year-on-year while its trade with South Africa soared by 82.5 percent to \$41.45 billion compared to a year ago.

Source: Adapted from *China Daily*, 11 December 2011

Extract 6: Republic drew \$12.9b in fixed asset investments

Investments poured in at near record levels last year despite a fragile global economy, setting the country up for an additional 20,000 or so new skilled jobs in coming years. Foreign spending on fixed assets such as factories and machinery hit \$13.7 billion. American companies accounted for 36.8 per cent of the investment commitments, with 15.5 per cent from Europe. Global firms also shelled out \$7.3 billion in total business spending, including spending on wages and rentals.

When all the investment projects committed to last year are completed, there will be 20,300 new skilled jobs created. In terms of "value-added" to the economy – the contribution to actual economic growth – the new investments will contribute \$15.5 billion a year. Economic Development Board (EDB) expects investment figures to come in at similar levels this year, up to \$15 billion in fixed asset investments. Investments in specialty chemicals are expected to make up a large part of spending this year, with ExxonMobil, an operator of the new petrochemical plant, expected to begin working this year. The electronics sector, which comprised more than half of total fixed asset investments last year, is expected to draw in new spending this year.

Despite a slowing global economy, Chairman Leo Yip said the EDB remains "cautiously optimistic" about 2012, as investment interest in Asia remains healthy. Decisions on capital-intensive investments are based on long-term considerations and are less sensitive to short-term economic volatility, said the EDB. The agency has also strengthened Singapore's allure as a business hub by developing new capabilities attractive to global companies in search of Asian growth.

Mr Yip noted that Europe's economic troubles last year did not seem to dent interest from firms looking to this region. "Europe is in a situation of uncertainty, but many European companies look for growth in other regions, and Asia presents great promise to them."

As more Asian enterprises set up bases in Singapore, fixed asset investment from the Asia-Pacific region and other countries more than doubled from 2010 to \$3.7 billion last year. "Increasingly, Asian companies are also making their mark. Many of them are growing to a scale and size that will contribute to meaningful investments as they go in search of global markets," added Mr Yip.

Singapore Business Federation officer Victor Tay said that the foreign manpower tightening could put a dampener on potential investments here. "We do know that big multinational firms are rethinking whether to relocate here due to the tight manpower restrictions," he said. "So I'm not sure how well we will do, as manpower requirements are key to any investment into a country."

Source: *Straits Times* 18 Jan 2012, and *Straits Times* 14 Nov 2011

Extract 7: Singapore puts budget's focus on narrowing wealth gap

A retired hotel worker, Mr Sivakumar is among Singapore's poorest 20% of citizens and has had to come back to work to make ends meet. And while his new job is a vital cash earner, it is also a good example of how Singapore's government is trying to narrow an income gap the United Nations says is the second-biggest among Asia's developed nations.

Singapore's economy almost doubled in size in the 10 years to the end of 2008, Department of Statistics figures show. Thanks to this growth, the average monthly income increased by 40% over the same period. However, the average monthly income for the bottom 20% of Singaporean households fell by 2.7% over the same decade. High food prices, meanwhile, have been making it tougher for Singapore's low-income families. Singapore's inflation rate hit a two-year high of 4.6% in December, and the central bank has warned that prices may rise at a faster pace in coming months.

The government has been looking at ways of narrowing the country's income gap and in 2007 introduced the Workfare Income Supplement scheme. And while it is helping fund these people's lives, it is also costing the government millions of dollars.

Source: *BBC*, 18 February 2011

Questions

- (a) (i) Using Table 1, compare Finland's and Singapore's inflation rates between 2008 and 2011. [2]
- (ii) What can be inferred about the relative prices in Finland and Singapore between 2008 and 2011? [1]
- (b) (i) According to Extract 4, "Growth has been extinguished in Europe". Explain how the poor economic performance of Europe leads to unemployment in Finland. [3]
- (ii) Assess the relevance of the data in comparing the standard of living in Singapore and Finland. [8]
- (c) According to Extract 5, the US "pressured China to strengthen the Chinese Yuan". Explain the impact of China's reaction on Singapore and Finland. [6]
- (d) Assess the impact of Singapore's emphasis on Foreign Direct Investment inflow on her economy [10]

[Total Marks: 30]

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CSQ 1 Answer

a	i)	Describe the trend in rare earth prices between 2005 and 2012.	[2]
		General rise in price [1m] and with a sharp increase from year 2011[1m].	
	ii)	Account for the above overall trend.	[4]
		<p><u>Explain demand factor using case material:</u> Increase in demand for rare earths Demand for rare earths is derived from the demand for consumer electronics. From Extract 1, there is an increase in demand for consumer electronic products such as computers, smart phones, TVs and medical products. As rare earth metals are important factors of production for the manufacture of these consumer products, there is an increase in demand for rare earths.</p> <p><u>Explain supply factor using case material:</u> Fall in supply of rare earths From Extract 1, there is a restriction of China's exports due to the export quota.</p> <p><u>Combined effect</u> The combined effect of an increase in demand and a fall in supply of rare earths will lead to a rise in price of rare earths.</p> <p>1m – increase in demand and fall in supply 1m - explain demand factor using case material 1m – explain supply factor using case material 1m – explain combined effect on outcome of price.</p>	
b		What can you conclude from the data about the price elasticity of supply of rare earths in India?	[2]
		<p>Supply of rare earths in India is price inelastic – rise in price would lead to a less than proportionate increase in quantity supplied. Due to time period where a sufficiently long time (about 5 – 8 years) is needed to start up the operations of a rare earth mining industry e.g. purchase of heavy machinery and equipment OR No readily available rare earth reserves that can be released.</p> <p>1m – state supply is price inelastic 1m – explain reason using case material</p>	
c		Explain the impact of the entry of Australia, Japan and India on the profit of China's rare earth producing firms.	[4]
		<p>Profits = TR – TC</p> <p><u>Fall in TR [2m]</u> Increase in no. of suppliers and hence more competition → Fall in AR for China's rare earth producing firms and demand also less price inelastic.</p> <p><u>TC same or rise in TC [1m]</u> Assume MC is the same. Hence TC will remain constant or increase in TC as the firm produces less output.</p> <p>Fall in price and fall in output, fall in profits [1m]</p>	

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d		To what extent will the use of ‘pollution control and technology upgrading’ help to achieve a more efficient allocation of resources in the rare earth market?	[8]										
		<p>Explain the source of market failure (negative externalities)</p> <ul style="list-style-type: none">- identify negative externalities as the source of market failure- identify the MEC- explain the over production of rare earths and deadweight loss <p>Explain how the measure works and its pros & cons</p> <ul style="list-style-type: none">- pollution and technology upgrading is R&D investment in green technology to reduce carbon emissions- cons: Funding issues <p>Explain at least one other measure to help correct negative externalities and its pros & cons. e.g. tax, tradeable pollution permits</p> <p>Evaluation: weigh the effectiveness of the different measures suggested and justify</p> <table><tr><td>L3 5-6</td><td>Clear discussion of the pros and cons of at least 2 measures (including pollution control and technology upgrading) and how they work to correct the source of market failure.</td></tr><tr><td>L2 3-4m</td><td>Explanation of at least 1 measure (pollution control and technology upgrading) and how it works to correct the source of market failure, but one-sided explanation of either pros or cons. Max 4m – for good discussion of pros and cons of only 1 measure (pollution control and technology upgrading).</td></tr><tr><td>L1 1-2m</td><td>Identify source of market failure (negative externalities). Listing the measures and superficial description of the measures.</td></tr><tr><td>E2 2m</td><td>Evaluation specific to effectiveness of measures</td></tr><tr><td>E1 1m</td><td>Unexplained evaluative comment or generalized evaluation</td></tr></table>	L3 5-6	Clear discussion of the pros and cons of at least 2 measures (including pollution control and technology upgrading) and how they work to correct the source of market failure.	L2 3-4m	Explanation of at least 1 measure (pollution control and technology upgrading) and how it works to correct the source of market failure, but one-sided explanation of either pros or cons. Max 4m – for good discussion of pros and cons of only 1 measure (pollution control and technology upgrading).	L1 1-2m	Identify source of market failure (negative externalities). Listing the measures and superficial description of the measures.	E2 2m	Evaluation specific to effectiveness of measures	E1 1m	Unexplained evaluative comment or generalized evaluation	
L3 5-6	Clear discussion of the pros and cons of at least 2 measures (including pollution control and technology upgrading) and how they work to correct the source of market failure.												
L2 3-4m	Explanation of at least 1 measure (pollution control and technology upgrading) and how it works to correct the source of market failure, but one-sided explanation of either pros or cons. Max 4m – for good discussion of pros and cons of only 1 measure (pollution control and technology upgrading).												
L1 1-2m	Identify source of market failure (negative externalities). Listing the measures and superficial description of the measures.												
E2 2m	Evaluation specific to effectiveness of measures												
E1 1m	Unexplained evaluative comment or generalized evaluation												

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e		Discuss the desirability of World Trade Organisation's intervention over China's export restrictions of rare earths to consumer welfare.	[10]										
		<p>Thesis: Desirable if WTO intervenes</p> <ul style="list-style-type: none">- Reduce world prices of rare earth <p>Anti-thesis: Not desirable if WTO intervenes</p> <ul style="list-style-type: none">- Improve environmental pollution- Retaliation by China through imposition of tariffs on other goods such as poultry and sport-utility vehicles <p>Overall stand and justify</p> <table><tr><td>L3 7-8m</td><td>Well balanced and clear explanation on the desirability and undesirability of WTO's intervention on consumer welfare. Good reference to case material.</td></tr><tr><td>L2 4-6m</td><td>Some development of points to address whether desirable or undesirable for WTO to intervene but inadequate links to consumer welfare. Some reference to case material. Max 4m – for one-sided argument</td></tr><tr><td>L1 1-3m</td><td>Listing of points. Minimal links to consumer welfare. No reference to case material.</td></tr><tr><td>E 2m</td><td>Justified stand with economic analysis</td></tr><tr><td>E 1m</td><td>Unexplained evaluative comment or generalized evaluation</td></tr></table>	L3 7-8m	Well balanced and clear explanation on the desirability and undesirability of WTO's intervention on consumer welfare. Good reference to case material.	L2 4-6m	Some development of points to address whether desirable or undesirable for WTO to intervene but inadequate links to consumer welfare. Some reference to case material. Max 4m – for one-sided argument	L1 1-3m	Listing of points. Minimal links to consumer welfare. No reference to case material.	E 2m	Justified stand with economic analysis	E 1m	Unexplained evaluative comment or generalized evaluation	
L3 7-8m	Well balanced and clear explanation on the desirability and undesirability of WTO's intervention on consumer welfare. Good reference to case material.												
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L1 1-3m	Listing of points. Minimal links to consumer welfare. No reference to case material.												
E 2m	Justified stand with economic analysis												
E 1m	Unexplained evaluative comment or generalized evaluation												

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CSQ 2 Answers

ai)	Using Table 1, compare Finland's and Singapore's inflation rates from 2008 to 2011.	[2]
	Both countries' inflation rate was positive throughout. [1] Singapore's inflation rate remained higher than Finland's throughout. [1]	

aii)	What can be inferred about the relative prices in Finland and Singapore from 2008 to 2011.	[1]
	Prices in Singapore is rising faster than prices in Finland. [1]	

bi)	According to Extract 1, "Growth has been extinguished in Europe". Explain how the poor economic performance of the EU leads to unemployment in Finland.	[3]
	Evidence of falling exports to EU [1] Diagram & Explanation –AD falls [1] Outcome – NY fall unemployment increase. [1]	

bii) Assess the relevance of the data in comparing the standard of living in Singapore and Finland. [8]
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Command words:	Assess the relevance
Content:	SOL, indicators
Context:	All data provided – including extract information
Approach	2 sided answer that discusses how relevant given data is in the comparing SOL of Finland and Singapore.

Outline of answer:	
Introduction	Define SOL
Paragraph 1	<p>Thesis: Data is relevant in comparing SOL of Finland and Singapore.</p> <p>1. GNI -GNI Finland higher than Singapore means material SOL is higher in Finland than in Singapore.</p> <p>2. Inflation rates -Inflation in Finland is lower than Singapore. Implies higher real GNI value. Material SOL higher in Finland than Singapore</p> <p>3. BOP -BOP surplus in Singapore shows net inflow of money into Singapore. Suggest healthy economic growth in Singapore, material SOL higher in Singapore than Finland with worsening BOP up till a deficit.</p> <p>4. Unemployment -somewhat the same. Employment indicates income. Hence material SOL in Finland and Singapore is comparable</p> <p>5. Income gap -Extract 3 states Singapore's widening income gap 2nd biggest in Asia's developing nations. Extract 1 states Finland's small income gap. Equity seems to be problem in Singapore but not Finland. Overall SOL material and non material higher in Finland.</p>
Paragraph 2	<p>Anti – Thesis: Data is not relevant in comparing SOL of Finland and Singapore.</p> <p><u>Insufficient information</u></p>

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	<p>1. Population data GNI not accurate. Need Real GNI per capita. Higher GNI in Finland when divided by a greater population than Singapore will mean that each person in Finland has less goods and services available than in Singapore. Hence lower material SOL in Finland.</p> <p>2. composition of GNI Consumer goods at the expense of capital could mean higher current SOL but lower future SOL.</p> <p>3. different accounting practices/gathering of data Inclusions and exclusions may be different Depreciation calculated differently</p> <p>4. Differences in strength of currency Although data is in USD, relative strength of currency to the USD will determine the value of goods and services recorded</p> <p><u>Lack of information on non-material SOL</u></p> <p>1. Extract 3 Singapore's rising income gap No concrete evidence given/same data for Finland</p> <p>2. Extract 1 Finland has high quality of life, low levels of corruption, high literacy rates, a small income gap, wide access to health care, high life expectancy rates and a healthy work-life balance. But nothing on Singapore for comparison.</p>
Conclusion	Opinion : Relevant/Not relevant. Justification

Knowledge, Understanding, Application and Analysis		
L3	Well discussed, 2 sided answer that uses various data provided as a basis for comparison. Able to infer what data can and cannot represent in terms of SOL.	5-6
L2	2 sided answer that only uses limited parts of data provided. Use of data as a basis for comparison may not be clearly explained in terms of SOL.	3-4
L1	1 sided answer that either explains the relevance or irrelevance of data.	1-2

Evaluation		
E2	Justified stand	2
E1	Unjustified stand	1

c)	According to extract 4, "China faces pressure from US on foreign exchange policy." Explain the impact of China's reaction on Singapore and Finland	[6]
	<p>Because of pressure from US, China will start to focus on strengthening trade with emerging markets in ASEAN.</p> <p>Singapore being part of ASEAN will benefit in terms of larger market base for exports into China. → BOT improves, AD shifts right. Actual EG, reduced unemployment</p> <p>Furthermore, FDI into Singapore from China may also increase → increase in Investment, AD shifts right. Actual EG, reduced unemployment</p> <p>Singapore can also gain access to cheaper imports from China → lower cost of production, AS shift right – Potential EG, lower inflation</p> <p>Possible other impact: China increases trade with other Asean members, who in-turn</p>	

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	<p>increase import from Singapore as their income rises.</p> <p>Possible other impact: looking at figures, given singapore's near full employment, increased exports may lead to inflation.</p> <p>Possible impact on finland 2m for each impact (need to have at least one AD one AS effect)</p>	
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d) Assess the impact of Singapore's emphasis on FDI inflow on her economy		[10]
Command words:	'Assess' means to ascertain, or to measure something	
Content:	'FDI' – foreign direct investment, BOP (Financial account) 'Economy-ADAS	
Context:	'Singapore Emphasis' – Singapore places an emphasis on FDI, leading to certain impact	
Approach	To ascertain or to determine the extent to which Singapore's emphasis on FDI has had an impact on the economy.	
Outline of answer:		
Introduction	Define terms: FDI, mention the impacts. Brief overview of essay	
Paragraph 1	Positive effect: Creates Jobs and growth (Extract 5) Explain how → using ADAS, show FDI shifting AD curve	
Paragraph 2	Positive effect: Creates new capabilities (extract 5) Explain how, explain why beneficial → increases AS/ investment attractiveness etc	
Paragraph 3	Negative effect: Inflation (extract 6) Explain how → leads to rising AD → DD pull inflation	
Paragraph 4	Uncertain effect: For growth: final contribution depends on k process, Depends on relative size of FDI to economy For AS → depends on whether the FDI pays off Explain why	
Conclusion	Opinion : Large impact. Justification → Singapore small domestic economy. FDI major part in economy.	