

2016 Y6 H2 Prelim II Essay Q6 – Globalisation/ International Trade

In recent years, greater globalisation and rapid technological change have inevitably caused the unemployment rate to rise in Singapore.

Discuss the extent to which the Singapore government's approach to international trade may need to be adjusted in response to the rise in unemployment. [25]

Suggested Mark Scheme

| Knowledge, Understanding, Application & Analysis | | |
|--|--------------------|---|
| L3 | Upper 18-21 | Developed discussion of why current approach need/ need not be adjusted in view of rise in unemployment 'Developed' <ul style="list-style-type: none"> - Appropriate links between greater globalisation & tech change on structural & cyclical unemployment - Good reference to Spore context/ nature - Relevant policies in line with approach to trade are chosen with explicit links to how they are suited for Spore - Adjustments are proposed after careful consideration of what is lacking currently |
| | Lower 15-17 | Developed discussion of why current approach need/ need not be adjusted in view of rise in unemployment; however, the adjustments are not explained in sufficient clarity/ depth |
| L2 | Upper 12-14 | Undeveloped discussion of why current approach need/ need not be adjusted in view of rise in unemployment OR Developed explanation of <u>2</u> of the following: <ul style="list-style-type: none"> - how unemployment may rise due to globalisation and technological change - policies adopted in line with Spore's approach to international trade - Suggestions for adjustments to approach |
| | Lower 9-11 | Undeveloped explanation of <u>2</u> of the following: <ul style="list-style-type: none"> - how unemployment may rise due to globalisation and technological change - policies adopted in line with Spore's approach to international trade - Suggestions for adjustments to approach |
| L1 | Upper 6-8 | Undeveloped explanation of: <ul style="list-style-type: none"> - how unemployment may rise due to globalisation and technological change - policies adopted in line with Spore's approach to international trade 'Undeveloped' <ul style="list-style-type: none"> - Limited application to Spore context + explanation of policies lacks economic analysis and link |
| | Lower 1-5 | Smattering of valid points |

| Evaluation | | |
|------------|---|------------|
| E2 | Able to form a judgment on the issue after looking at both sides. For e.g., students are able to project into the future; recognise that the degree of unemployment differs across industries; weigh the pros & cons of current policies before suggesting adjustments to be made | 3-4 |
| E1 | Some attempt to sum up the points put forth, but does not go beyond this Comments are generic and superficially stated rather than substantiated with sound judgment | 1-2 |

Suggested Answer Points:

- Define globalisation -- closer integration of economies and peoples of the world through the ease of movement of goods and services, capital and labour
- Government's approach to international trade is still largely appropriate and thus, only needs to be adjusted to a small extent

(A) Explain how greater globalisation and rapid technological change cause unemployment to rise in Spore

(I) Explain how globalization leads to increase in cyclical unemployment

- In recent months, weak economic growth in Singapore's key export markets has directly affected the demand for our exports.
- Coupled with uncertain global outlook, this decline in external demand will likely translate to a fall in export revenue (X), causing aggregate demand (AD) to fall. This leads to a multiple fall in national income (NY) and in turn affects employment in export-related sectors.
- Make reference to AD-AS diagram

(II) Explain how globalization leads to increase in structural unemployment

- Globalisation has also made it much easier for MNCs to outsource and relocate, as well as technologies in their work processes.
- As MNCs relocate out of Spore, this has resulted in a 'skills gap' i.e. workers who have lost their jobs due to economic restructuring or relocation of firms end up structurally unemployed because they lack the relevant skills to take on new jobs.
- No Diagram needed for this point

(III) Explain how rapid technological change leads to increase in structural unemployment

- Advancements in technology have also transformed the way in which goods are produced in recent years, consequently causing structural unemployment to rise too.
- While improvements in technology may generate new jobs, it has also led to a rise in structural unemployment because many retrenched workers lack the expertise and experience to fill such positions.
- Looking ahead, structural unemployment may rise further as the use of robots become more widespread, unless older workers acquire new skills to take on available jobs

(B) Explain how current approach to international trade is largely appropriate despite rise in unE

- Spore's approach to trade revolves around: staying open to global economy and maintaining global competitiveness. As such, policies are tailored around this approach.

(I) Trade policies

- Focus on helping Singapore diversify her trade partners and forge new trade links → E.g. signing of free trade agreements and broadening export markets
- As a result, this helps Spore achieve EOS and diversify export markets during global shocks

(II) SS side policies

- Focus on keeping exports competitive → Govt embark on aggressive measures to raise the productivity of domestic firms and labour force e.g. Productivity and Innovation Credit (PIC) scheme
- Helps firms think of ways to raise productivity
- Other measures include Workfare Training Support Scheme (WTS) encourages Singaporean workers to attend training + Recent SkillsFuture Credit scheme

(III) Exchange rate policy

- Ensures export competitive and helps provide conducive environment for FDIs
- Keep Singdollar on gradually appreciating stance given high import content in Singapore's exports.
- Price stability ensures export competitiveness and attracts FDIs, which hopefully help generate jobs for domestic firms and workers.

(C) Explain how current approach to international trade may need to be adjusted in response to a rise in unE

- Globalisation and technological change is welcomed rather than avoided, despite its potential disruptive effects on industries and workers. Although this approach has yielded gains thus far, looking forward, minor adjustments can be made to better leverage on potential growth areas while minimizing the negative effects.
- Students can give any of the following or what is economically sound, some e.g. include:
 - Raise the capabilities of domestic small medium enterprises (SMEs)
 - Help domestic SMEs internationalize
 - Govt to identify new areas of comparative advantage to make us more resilient to global shocks
 - More comprehensive skills training programmes to increase workers employability
 - Provide more social safety nets
 - Establish more trade links with regional economies

Synthesis:

- Spore's approach to trade will unlikely change drastically unless our nature changes drastically too
- Govt can have complementary measures to mitigate the harm, but they are nonetheless still taken in the right direction
- Cannot avoid globalization and tech change because these will ultimately yield more benefits than costs