

CSQ 1: Go Green D...decade

(a) (i) Summarise the change in the installation of solar panels shown in Table 1 (2 marks)

General trend: The installed capacity of solar panels had risen from 2009 to 2014. – 1 mark

Refinement: The increase was especially sharp in 2012.

[Breakdown between domestic and industrial is NOT required]

[Alternative Possibilities]

2 marks

- Total installed capacity of photovoltaic systems (solar panels) has increased from 2009 to 2014. Rate of increase in installed capacity of solar panels for households is lower than the rate of increase in installed capacity of solar panels for industry and commercial uses.

- Generally, the installation of solar panels increased from 2009 to 2014, with the installed capacity of solar panels rising at a faster rate for industrial and commercial sector than for households which rises at a slower rate.

1 mark

- Installation of solar panels by both households and industrial and commercial firms have increased from 2009 to 2014. However, industrial and commercial are installing solar panels at a faster rate than households. (No comment on general trend)

There was a general increase in installation of solar panels from 2009 to 2014 with most coming from industrial and commercial as compared to households. (Phrase on industrial vs households used as explanation).

(a) (ii) Identify two reasons that could account for the change in the pattern of solar panel installations. (2 marks)

One mark for any reason below:

Rise in demand factors:

- Rising price of substitute, which is oil (from Extract 1)
- Increase in population size (from Extract 1)

Rise in supply:

- Improved technology of solar panels (Extract 1)
- Government has provided more funding in R&D (Extract 1)

Accept any two; *better answers should refer to sharp rise in 2012*

(b)(i) Explain a possible reason why the transmission of electricity has been left to a single supplier. (4 marks)

[Define natural monopoly] – 1 mark

- The transmission of electricity has been left to a single supplier, SP Power Grid Ltd which is likely to be a natural monopoly (Extract 2). A natural monopoly refers to a market where economies of scale are so substantial such that long run average costs are falling throughout the entire range of the market demand.

[Explain why SP Power Grid Ltd is a natural monopoly.]

- High fixed costs are incurred in setting up the infrastructure for electricity transmission, as it involves building of a large network of cables to households and industrial areas throughout the country. The fixed cost is very large relative to the marginal cost of supplying the product, and hence the long run average cost (LRAC) curve is falling over the whole range of market demand D_1 . [1 mark]
- Thus, the firm can reap substantial internal economies of scale, where increasing the scale of production leads to a lower LRAC. In this case, the electricity transmission is more cost-efficient if there is a single supplier, than if it were shared between two or more competitors. [1 mark]
- Also, competition may create wasteful duplication if more than one firm laid the network of cables in Singapore. (1)

(b) (ii) Explain why the government of Singapore has introduced competition in the market for electricity generation. (4 marks)

[Impact of competition on gencos] Competition reduces market share of each genco firm, thereby reducing their demand, and increasing their PED. As a result of lower demand for each firm, total revenue of each firm is likely to be lower, thereby reducing the profits.

[How each genco can react to the impact] To increase or protect their profit margins,

- each genco can reduce cost of production through using cheaper sources of fuel (e.g. natural gas) (Extract 2).
- with lower COP, each gencos could also charge lower price for the electricity they produce, thereby increasing quantity demanded.
- With the availability of substitutes and that PED is likely to be > 1 , the increase in quantity demanded could be more than proportionate to the fall in price,
- resulting in higher revenue. This further increases the profit margin of each firm.

[Link to question: Why competition benefits consumers/ society] – 1 mark

When the gencos charge lower prices for the electricity they generate, SP Power Grid benefits by having lower cost of production, and is more likely to charge electricity consumers (households and businesses) lower electrical bills. Indeed, the EMA noted that **electricity prices had reduced** by about 15% (Extract 2), which is likely to benefit consumers.

Macro analysis: shift AS curve downwards – max 1 mark.

Fully theoretical answer – what so bad about a monopoly – 2 marks.

No evidence – cap at 3 marks.

(c) Assuming that SP Power Grid Ltd. is a profit maximiser, discuss whether SP Power Grid Ltd. can use price discrimination to sell electricity to different households and firms. (8 marks)

[Define price discrimination]

Price discrimination involves selling identical products at different prices for reasons not associated with cost differences.

[Explain why SP Power Grid Ltd can use price discrimination]

Conditions necessary for price discrimination (with evidence from case material)

- The firm must have some price-setting power (i.e. the business is operating in an imperfectly competitive market). SP Power Grid Ltd meets this requirement;
- There must be at least two consumer groups with different price elasticities of demand;
- The firm should be able to identify consumers in each group, and set prices differently for each market segment. Potentially firms and households are different customers.
- The firm must prevent consumers in one group selling to consumers in the other market/segment. Arbitrage (or seepage) may be unlikely between firms and households in the case of SP Power because “electricity cannot be stored”.

[Evaluate the forms of price discrimination available for SP Power Grid Ltd to use]

Three forms; first, second, third degree.

Perfect discrimination involves charging each consumer the maximum price he or she is prepared to pay for each unit. Hence, it requires the seller to know exactly the demand curve of each buyer. This is unrealistic as information is imperfect. Therefore it is unlikely to be used by SP Power.

Second-degree price discrimination can take many different forms; e.g. where the firm charges customers different prices according to how much they purchase. It may charge a high price for the first so many units, a lower price for the next so many units, a lower price again for the next, and so on. They are charged progressively less for subsequent blocks of output. SP Power can charge different tariffs based on the volume of sales. However, SP Power Grid Ltd may face capacity limitations; peak load during the day and off-peak demand at night (Extract 3). Customers may not be price sensitive because the demand for electricity is a derived demand.

Third degree price discrimination; a profit maximiser would only benefit from separating the market if each segment had different price elasticities of demand. For example, if household demand was price elastic, lower prices would lead to a more than proportionate increase in quantity demanded and therefore an increase in revenue. This, as mentioned above, is unlikely in the case of electricity as the demand for electricity is likely to be price inelastic for both household and industrial or commercial users, due to the absence of close substitutes and electricity being a necessity. Therefore, without different price elasticities of demand, although SP Power Grid Ltd. may have an incentive to discriminate, it is unlikely to be able to increase profit by charging households and firms different prices.

[Conclusion]

Price discrimination could raise costs for firms which could be a sensitive issue in an export based economy. Utilities may be considered as a basic necessity and price differentials could raise issues of equity. As discussed in part b (i) SP Power is a natural monopoly and its pricing

policy is subject to public scrutiny. Therefore, with regulation of the firm by EMA, it may not be able to practise price discrimination eventually. Its marginal costs are almost zero and it has monopsony power over the private generators, therefore the assumption of profit maximising is unlikely to be valid in the real world.

| Level | Knowledge, Application, Understanding, Analysis | Marks |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| L3 | The answer explains rigorously the conditions necessary for price discrimination to operate, with pertinent application to the case and <u>evaluates</u> the forms of price discrimination available for SP power to use. A judgement, supported by cogent argument, has been made. | 7 - 8 |
| L2 | The writing conveys knowledge and understanding of the conditions necessary for price discrimination to operate, with some pertinent application to the case and/or evaluates the forms of price discrimination available for SP power to use, but is limited in scope or depth. | 4 - 6 |
| L1 | Basic knowledge of price discrimination is shown but application or links to the case are absent or too vague. | 1 – 3 |

**(d) “Cheaper oil prices and loose monetary policy are complements, not substitutes”.
To what extent do you agree with this assertion? (10 marks)**

General approach

There are many possible approaches to answer this question. One strongly analytical way would be to use an AD/AS as a central element of the answer.

Introduction: Identify the economic problems – deflation and low rates of economic growth.

There is a widespread fear of deflation in many economies; EU/Japan

Thesis: They are complements

[Explain how cheaper oil prices and loose monetary policies each works and how both can work together to reduce the above problems]

Impact of cheaper oil

- Cheaper oil should reduce the costs of production. Oil is used in a wide range of industrial uses.
- AS curve shifts down [*refer to a diagram*].
- This could put downward pressure on prices and CPI. This assumes lower costs are passed on to consumers.
- The demand for oil is likely to be relatively price inelastic in the short run; a fall in price reduces total revenue and total consumer expenditure. Thus real incomes rise (Extract

3); expenditure of other goods and service may rise (movement along AD curve) – *refer to a diagram.*

- Cheaper fuel may increase the demand for various forms of travel. Cross price elasticity suggests that demand and price change may be negatively related for goods that are complements. For example, the fall in oil prices might lead to an increase in the demand for cars. This may be important in raising consumption in the current global context where many economies face weak patterns of aggregate demand.

Impact of loose monetary policy

- Cars could be classified as big ticket items. “Loose monetary” policies covers a whole array of strategies used in Europe and N. America. One of the main strategies has been the reduction in interest rates. As the cost of borrowing is reduced, in theory, should stimulate demand for investment and consumer goods.
- However there remains a risk that lack of confidence may inhibit increased consumption and investment despite lowered interest rates. There is a global problem of weak demand (Extract 3).

Link to thesis statement

- In this way the policies are complementary. Lower oil prices, may lead to lower costs across a wide section of the economy and if these cost reductions are passed on to consumers, an increase in aggregate demand may be expected.

Anti-thesis: They are substitutes

[Explain when cheaper oil prices and loose monetary policies may not reduce the above problems]

“Drag” by falling oil prices.

- As mentioned in Extract 3, falling prices have led to upstream problems and failing firms may result in rising unemployment.
- Falling oil prices may have a contagion effect. The lower prices expose many firms in the oil and marine sector to falling revenue and profits.
 - In some cases falling revenues may lead to default on loans. In a capital intensive industry bank loans may have been used to purchase capital equipment.
 - Falling revenues in the oil industry have led to a rise in “non-performing loans” in the banking sector.
- This could lead to multiplier effects and further declines in consumer and producer confidence, thereby reducing C, I, and therefore AD.
- The world currently relies on oil and its price may be a barometer of confidence; falling prices may send a negative message that cannot be countered by ‘loose monetary’ policies.

Evaluative Conclusion (make a judgement)

- In theory, falling oil prices and loose monetary policies are complements. Extract 3 concurs with this assertion (To think that lower oil prices are a net negative for the world economy, and particularly for the advanced economies, is to misunderstand the problem with deflation and the cures for it.)
- However, low consumer and business sentiments due to falling oil prices and thereby deflation could erode the theoretical benefits of loose monetary policy.

- Conclusion: it is not persuasive that falling oil prices and loose monetary policies are complements.
- Implications: Governments could consider further policies, e.g. expansionary discretionary fiscal policy to boost demand and prices.

| Level | Knowledge, Application, Understanding, Analysis | Marks |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| L3 | The writer displays a good understanding of monetary policy and the influence of cheaper oil. The question is unambiguously answered (agreement). | 7 - 8 |
| L2 | The writing reveals a less than thorough understanding of monetary policy and the influence of falling oil prices. | 4 - 6 |
| L1 | A poor grasp of the key concepts is reflected in the response. | 1 - 3 |

CSQ2: Emerging from Crisis - Sluggishly

(a)(i) Describe the change in Russia's terms of trade from 2012 to 2014. [1]

Russia's terms of trade worsened from 2012 to 2014. [1 mark]

(a)(ii) Suggest a possible reason for your observation in (i). [2]

Establishing the measurement or definition of terms of trade (1 mark)

Terms of trade is measured by the ratio of price index of exports to price index of imports.

Suggesting possible reason for worsening of terms of trade (1 mark)

- Extract 1 says that Russia is an oil exporting country. As prices of oil declined, Russia's export prices could have reduced. Assuming that there is no change in prices of imports, terms of trade would have worsened

(b) Account for the claim that the fall in oil prices would cause income to be "redistribute income heavily from oil-exporting countries to oil-importing countries". [3]

Establishing the nature of oil (1 mark)

Oil is an essential raw material in production processes. With a given change in oil prices, quantity demanded is likely to change less than proportionately. Demand for oil is said to be price inelastic.

Explain the resulting change in total revenue for producers and total expenditure for consumers (2 marks)

As a result of fall in global oil prices, quantity demanded will increase less than proportionately, leading to an overall fall in producers' total revenue. As oil exporters, countries such as Russia would be likely to experience a fall in their export revenues. Conversely, oil consumers, such as the oil importing countries of China is likely to experience a fall in their import expenditures.

As a result of the exporting countries earning less and importing countries spending less, the fall in oil prices is seen as a redistribution of income from the oil exporting countries (i.e. the producers) to the oil-importing countries (i.e. consumers)

Answer that postulates a fall in DD leading to fall in TR awarded max 2 marks. It is theoretically correct but Extract 4 says that demand grows weakly.

(c) Comment on whether there is sufficient data to conclude that "looking forward, India's economic performance seems to be causing rather less anxiety". [6]

Establishing yardsticks:

To show that an economy is "causing less anxiety", one needs to assess its performance in terms of its four macroeconomic goals and income inequity levels. The four macroeconomic goals are: sustained economic growth, low unemployment rates, low and stable inflation, and healthy balance of payments (BOP) positions

Thesis: Data to show that India's economic performance might be causing less anxiety

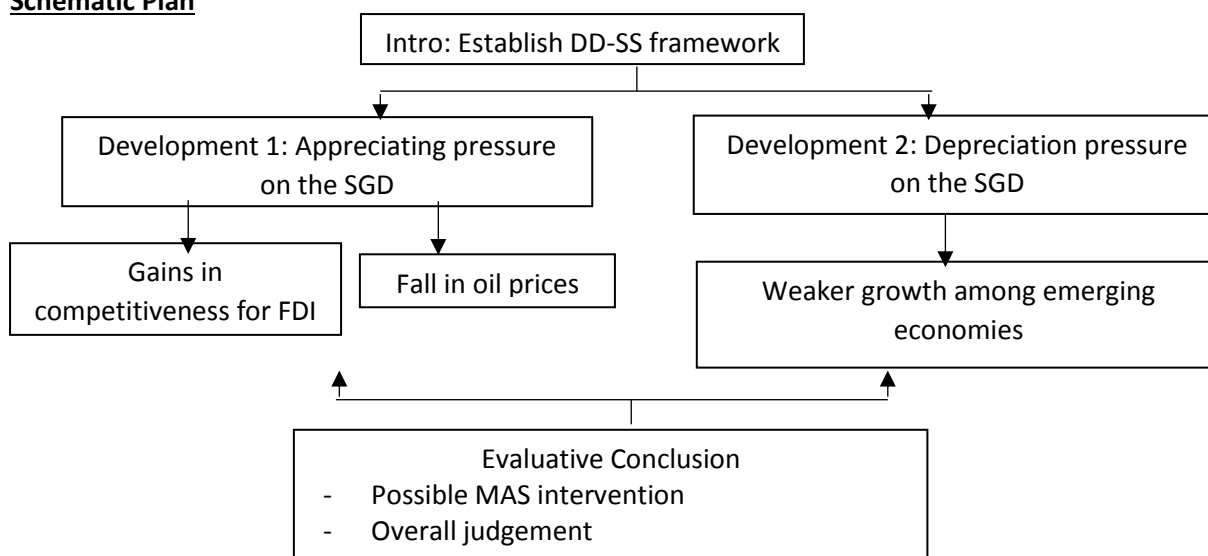
Anti-Thesis: Data to show that India's economic performance may not be doing as well as claimed and other data required to make overall judgement.

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| <ul style="list-style-type: none"> • <u>Sustained economic growth</u>: Extract 3 indicates that India's economy had grown by 5.7 percent in the first quarter of 2013. Economic growth is likely to be sustained through the optimism of the "investors". When investment expenditure is carried out, over the long run, capital accumulation occurs, increasing the productive capacity of the economy, bringing about potential growth to the Indian economy. • <u>Healthy BOP</u>. Extract 3 also indicates that current account deficit had been reduced sharply (to 1.7 percent of the GDP in FY2013 compared to 4.6 percent in FY 2012.) • <u>Low unemployment</u>: sustained economic growth may indicate that demand for labour may be increased to support the production of more goods and services. This could lead to lower unemployment rates. (contextual knowledge) • <u>Low and stable inflation</u>: with capital accumulation and increase in productive capacity, demand-pull inflationary pressures due to increase in AD could be absorbed, reducing inflation rates in India. | <ul style="list-style-type: none"> • <u>Evidence of less growth</u>: Extract 3 argues that infrastructural developments could be slower due to government red tape. This has also deterred some foreign direct investments (FDI). Coupled with "inefficient labour markets" and "ineffective business management" (Extract 4), India's growth in FDI and domestic investments may further slow due to the loss of international competitiveness. <p>[Link to theory] With slower growth in investment expenditure and government investments, growth in AD might be slower and results in slower actual growth rates. Slower investment expenditure could also lead to slower potential growth rates over the long run.</p> <p>These factors could also lead to higher costs of doing business in India, leading to the erosion of international competitiveness. This is not helpful to attracting FDI into India. Thus, despite current accounts deficits being reduced, the lack of attractiveness to businesses could reduce capital inflow into India, thereby not improving the BOP position.</p> <ul style="list-style-type: none"> • <u>Other information needed</u> [Point] No explicit information on inflation rates and unemployment in India. <p>[Explanation] Inflation rates determine the change in cost of living of people in a country and directly influences their material standard of living. Unemployment rates measure the proportion of people who are willing to work but are not employed.</p> <p>[Example / Evidence] Extract 6 mentioned that inflation rates had to be controlled, suggesting it is on the high side. Unemployment rates might not reduce if the economic growth is technology driven and does not demand for more labour.</p> <p>[Link] Therefore more data required.</p> |
| <p>Conclusion: Overall, there are signs that point towards a more positive economic outlook for India as well as those that show that this optimism could be limited. Also requires data on unemployment and inflation. Therefore, there is insufficient information in the data for us to conclude that India's economic performance would cause less anxiety.</p> | |

| Marking Scheme | | |
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| Level | Knowledge, Understanding, Application and Analysis | Marks |
| 2 | <p>For answers that show a balance in analysing evidence of both a more optimistic outlook for India's economy as well as those that show limited optimism.</p> <p>Well-balanced analyses (2 vs 2) with good use of evidence obtain up to 4 marks.</p> <p>Answers that unevenly present both sides of the arguments (2 vs 1 point or 3 vs 0) can get up to 3 marks</p> <p>Answers that attempted to explain the evidence but lacking in completeness / accuracies are capped at 3 marks despite being balanced.</p> <p>Answers made up of pure contextual knowledge of far-fetched inference are capped at 3 marks.</p> <p>To get 5 marks, anti-thesis should contain both evidence that point towards lower FDI growth and inadequate data on unemployment and/or inflation.</p> | 3 – 5 |
| 1 | <p>For answers that are mere listing of evidence, even if they represent both perspectives.</p> <p>Or if answers are descriptive.</p> | 1 – 2 |
| E | For answers that gain at least 4 marks, provide a good conclusion based on a balanced analysis. | 1 |

(d) In view of the developments in 2014, assess the likely change in the external value of the Singapore dollar. [8]

Schematic Plan



| Suggested Answers | Comments |
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| <p><u>Introduction</u></p> <p>External value of the SGD is determined by the demand and supply of the currency. The various global economic events that had occurred in 2014 would affect the external value of the SGD.</p> <p><u>Development 1: Appreciating pressure on SGD</u></p> <p><u>Gains in Competitiveness for FDI</u></p> <p>According to Extract 4, Singapore's international competitiveness seems to have strengthened, driven by "business efficiency" and "innovation". This increases the scope of profits for firms that establish themselves in Singapore. As a result, FDI into Singapore could increase, raising the demand for Singapore dollars and exerting an appreciating pressure on the SGD.</p> <p>However, other economies e.g. Hong Kong and the US are also competitive, which could reduce the growth in FDI flowing into Singapore. Also, the uncertain global economic growth due to slow growth in emerging markets could cause some firms to hold back on conducting FDI in other countries, including Singapore. As stated in Extract 1, companies may prefer to "wait and see" before spending their money.</p> <p>As stated in part (b), fall in oil prices would reduce the expenditure by oil importers such as Singapore. As such, the amount of foreign currency (USD) required by Singaporean companies to purchase oil is less. The quantity of SGD required to be given up is less, thus reducing the supply of SGD. This exerts an appreciation pressure on the SGD.</p> <p>Also, with the fall in price of crude oil and hence the cost of production, the price of Singapore's refined oil is likely to fall too. Less SGD is required to import SG's refined oil. Demand for SGD might fall, dampening the appreciation pressure.</p> <p>Given that Singapore hosts a large petrochemical industry for re-exports, the volume of crude oil imports is likely to be high for Singapore. Therefore the significant fall in oil prices is likely to cause a relatively large fall in the supply of SGD and exert a significant appreciation pressure on the SGD.</p> <p><u>Development 2: Depreciation pressure on SGD</u></p> <p><u>Weak growth among emerging markets</u></p> <p>Growth among the emerging markets is generally weaker in recent years. Furthermore, Extract 1 says that "the world struggles to recover from the financial crisis". As income growth among Singapore's trade partners weakens, ability to purchase foreign goods and services in these markets (including those from Singapore) weakens. SGD, being a derived demand for Singapore's exports, may experience a fall in demand.</p> <p>Among the BRIC countries, China has the highest demand for Singapore's exports (Table 2). Furthermore China is still growing at about two percentage points lower than 10 percent. On the other hand, economies that have the lowest rates of growth (Brazil and Russia) have much lower export demands from Singapore. Therefore, Singapore's export demand is unlikely to fall, but continue to increase</p> | <p><i>Establishes a framework for analysing changes in ER.</i></p> <p><i>1st Point of argument</i></p> <p><i>Evaluation</i></p> <p><i>2nd point of argument</i></p> <p><i>Evaluating using case materials</i></p> <p><i>Evaluation using contextual knowledge</i></p> <p><i>Anti-thesis point of argument</i></p> <p><i>Evaluation using data</i></p> |

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| <p>at a slower pace. This results in demand for SGD to be increasing, exerting an appreciation pressure.</p> <p><u>Evaluative Conclusion</u></p> <p>However, we know that the Monetary Authority of Singapore maintains control over the SGD. The long term policy for the SGD is to maintain a gradual appreciation to prevent export price competitiveness from being eroded too quickly. Should the MAS find the appreciation of the SGD eroding Singapore's export price competitiveness too excessively, it could purchase foreign exchange reserves and sell SGD. This increases the supply of SGD and reduce the external value of SGD or to prevent it from appreciating excessively.</p> <p>Therefore, notwithstanding the overall appreciating pressure, SGD may appreciate by a limited extent. Or, if the MAS deems necessary to defend the price competitiveness of SG's exports, it could even adopt a policy to prevent the SGD from appreciating.</p> | <p><i>Overall evaluation using contextual knowledge of central bank intervention.</i></p> <p><i>Judgement</i></p> |
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Marking Scheme

| Level | Knowledge, Understanding, Application and Analysis | Marks |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 3 | <p>For a well-balanced answer that analyses <u>both</u> appreciating and depreciating pressures on the SGD with sufficient economic rigour and good use of case materials.</p> <p>Answers gaining top mark must fulfil the above criteria and provides evaluative conclusion, leading to a substantiated judgement.</p> | 7 – 8 |
| 2 | <p>For answers that may be balanced, with good use of evidence, but insufficient economic rigour – i.e. an under-developed analysis</p> <p>For answers that are balanced, but lacking in a good use of evidence. Answers that are fully theoretical are capped at 4 marks.</p> <p>For answers that are lop-sided in nature, failing to consider both appreciating and depreciating pressures adequately.</p> <p>One-sided arguments are capped at 4 marks. Those that are one-sided but consider the role of MAS could gain up to 5 marks.</p> <p>Answers lacking in scope – do not have at least 3 points of valid analysis on why SGD may appreciate / depreciate taken from the case, but with balance, would be capped at 6 marks.</p> <p>No judgement cap at 6 marks.</p> | 4 – 6 |
| 1 | <p>For descriptive answers without economic rigour or answers that did not attempt to address the question. Such answers tend to reflect a lack of awareness of the a DD-SS approach to ER determination.</p> <p>Very narrow scope – just one event from 2014 analysed with economic tools – cap at 3 marks.</p> | 1 – 3 |

(e) Discuss the alternative policies Russia might adopt to improve its balance of payments position, in view of the internal and external challenges it faces. [10]

[Establishing Framework]

- Two main components of BOP are current account and capital / financial account.
- Policies to improve positions in both account would therefore improve BOP position.

[Establishing changes in BOT and net direct investments]

- Changes in BOT: from 2011 to 2014, trade surplus seems to be shrinking (Table 2). This means that export revenues may not be growing as fast as import expenditure.
- Changes in net direct investments: from 2011 to 2014, net direct investments is negative, suggesting that there is more long term capital flows out of Russia than the capital inflows. This suggests that the international competitiveness of Russia seems to be weaker compared to other countries.

Development 1: Identify Challenges

External

Fall in global oil prices. Fall in X

Internal

Loss of competitiveness for FDI. Bureacracy / inefficiencies → business costs are higher → profits reduced.

Development 2: Propose Solutions

Improve trade balance

Improve net capital inflow

Increase X

Reduce M

Improve price competitiveness

- Improve productivity / reduce unit COP. (Through increasing technological advancement / innovation (Extract 7))
- Depreciate ER (Russian roubles) – *but considered protectionist and invites retaliation?*

Diversify economy – less reliance on oil & gas (Extract 5)

- *But takes time to develop new industries.*

Improve quality of exports / move up value chain

- E.g. downstream products of petrochemical
- *Time lags.*

Protectionist tools + ER depreciates

- *Drawbacks: retaliation, reduce material SOL*

Increase scope for profits

Reduce business costs

Reduce bureaucracies + inefficiencies

- Extract 5. Reduce red tape, build credible rule of business law.
- Improve overall efficiencies (e.g. small economies Switzerland, SG, HK)) through productivity improvements.
- Theoretically: Lower corporate tax (but budget deficit?); Improve efficiency of banking system / increase money supply → reduce cost of borrowing; Labour market reforms → reduce wages (*but political acceptance?*)

Reduce scope

Build confidence of growing economy

- Extract 5. Reduce red tape, build credible rule of business law.

Evaluative conclusion

It is very difficult to improve overnight. But despite the long time lags, Russia should start now. Tackling the internal challenges may help Russia address the external challenges in the long run. By building the credibility of the business law to attract more FDI, Russia can improve the current account too as FDI brings about transfer of technology which can help to improve price and non-price competitiveness of Russian exports, and in turn improve balance of trade. The increased flow of FDI may also support Russia's efforts to diversify the economy.

Marking Scheme

| Level | Knowledge, Understanding, Application and Analysis | Marks |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| 3 | <p>Answers in this category should fulfil the following characteristics:</p> <ul style="list-style-type: none"> • Identify the internal and external challenge (need not have a separate paragraph for it, could be embedded in the analysis of policies) • Have a framework on how the policies suggested could help Russia improve BOP (price / non-price competitiveness; competitiveness for FDI by increasing scope for business profits) • Explanation has economic rigour. • Provides limitations and challenges in effectiveness of policies. | 7 – 8 |
| 2 | <p>Answers this category may possess the following traits:</p> <ul style="list-style-type: none"> • Some localised conceptual errors, • Arguments are not structured well and this hinders logical development of analysis. This may be due to a lack of framework in anchoring arguments. • Lack of considerations on the limitations and challenges to the policies. • May not have shown awareness of the internal and external challenges. • Insufficient use of evidence. No evidence – fully theoretical max 5 marks. • Limited scope – up to 2 policies explained in entire answer max 5 marks. | 4 – 6 |
| 1 | Descriptive answer that does not answer the question. | 1 – 3 |
| E | <p>Accurate and insightful evaluative points relating to case and context, pointed out from case materials or contextual knowledge could earn up to +1.</p> <p>A fully developed evaluative conclusion, with judgement and weighing on the alternative viable policies can get up to +2.</p> | +1 – 2 |