NANYANG JUNIOR COLLEGE

2025 JC2 Preliminary Examination

H2 ECONOMICS

Paper No: 9570/01

3rd September 2025	Time	:	1400 – 1630 hrs
Wednesday	Duration	:	2 hours 30 mins

INSTRUCTIONS TO CANDIDATES

Do not turn over this paper until you are told to do so.

Write your name, class and the name of your Economics tutor in the space provided on the answer booklet.

You are required to answer ALL questions.

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

Write your answers on the answer booklet provided. If you use more than one answer booklet, slot the additional booklets into the first booklet.

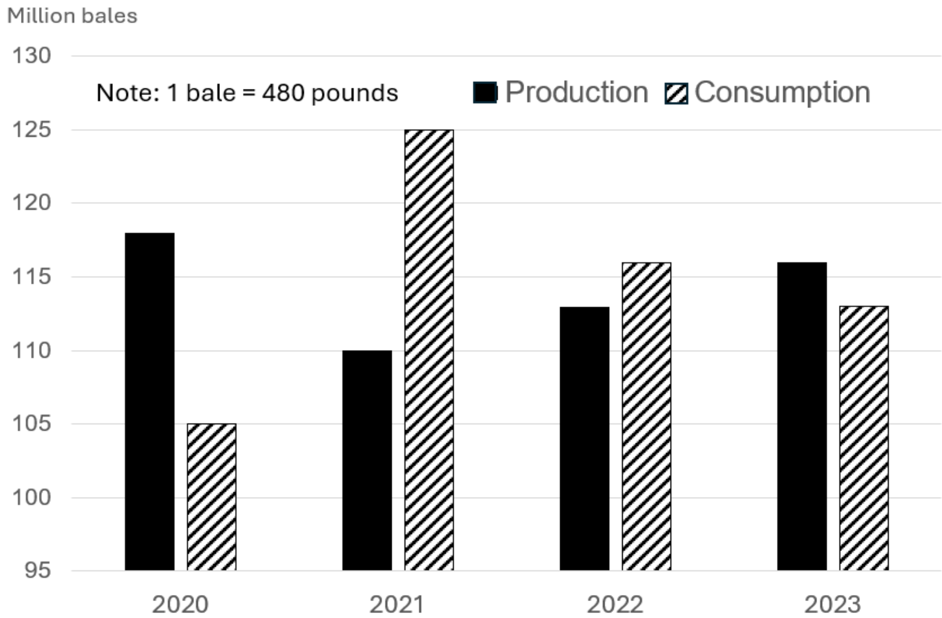
Please **start each case study on a fresh page**.

You are advised to spend several minutes reading through the questions and data before you begin writing your answers.

There are **9** printed pages including this cover page.
Answer **all** questions

Question 1: Impact of Sustainable Fashion in Developing Economies

Figure 1: Global Cotton Production and Consumption



Source: USDA, Economic Research Service based on USDA, World Agricultural Supply and Demand Estimates reports.

Extract 1: The Rise of Brazil's Cotton Export

Brazil's cotton harvests have grown significantly over the past two decades, mirroring its emergence as a farming powerhouse. Brazil is the biggest exporter of soyabeans and coffee; and last year it surpassed the US as top shipper of corn. Low prices for corn have pushed farmers to plant cotton instead of a second corn crop.

Brazil's soaring output has more than offset the impact of consecutive years of drought in the US forced growers, to abandon 6mn acres of crop which have knocked production there to 12.5mn bales in 2023 from 17.5mn two years earlier.

Over the past few years shoppers have increasingly opted for polyester and other man-made petroleum-based fibres, which are cheaper and quicker to produce than cotton, but have a much larger environmental toll.

Source: Financial Times, 16 July 2024

Extract 2: Cotton farmers globally faced an unfavorable plight

Cotton farmers globally faced an unfavorable plight during the 2022-2024 period due to a combination of factors impacting production and profitability. Drought and climate change led to decreased yields, while low global prices and rising production costs squeezed farmer's incomes. Additionally, pest and disease outbreaks, labor shortages, and market volatility further exacerbated their challenges.

Many farmers have been relying on personal resources to cover operational costs, a practice that is unsustainable in the long term. The combination of these factors has placed immense pressure on economic health and the livelihoods of cotton farmers. As such, some governments thus implement programs such as minimum support price to support farmers.

Source: Department Of Agricultural & Applied Economics, University Of Georgia, 2024

Extract 3: Fast Fashion Pollution and Climate Change

‘Fast Fashion’ is a term used to define clothes that are mass-produced, with a limited lifespan as designs change quickly and are cheap to produce.
Fashion and its supply chain processes emitted 10% of global greenhouse gas emissions - the third largest polluting industry, after food and construction. Developing countries bear the burden of these environmental impacts from fast fashion pollution, while developed countries do most of the consumption. Textile production occurs in developing countries due to cheap manufacturing and labour costs, and lax environmental regulations as compared to the developed countries.
For example, the use of synthetic materials, like polyester, consists of plastic and releases a larger amount of carbon emissions than cotton. Plastic degrades at a slower rate in the ocean and it also creates a toxic substance when it degrades, which is harmful for marine life and marine ecosystems. These microplastics also end up in the human food chain, causing negative health effects.
It is essential for the textile and fashion industry to mitigate its environmental impacts. Some have even called for governments to tax the industry to reflect the ‘true cost’ of fast fashion.

Source: Adapted from Earth.org; 21st Feb 2022

Extract 4: The Call For New Paradigm For Developing Countries

The fast fashion industry's immense water wastage and carbon footprint for developing countries demand a radical change of how we produce and consume clothing. We face the collective challenge of transitioning from the current fast fashion model to a more sustainable paradigm especially in developing countries.

A key concept in this new paradigm is the circular economy. Instead of the traditional "take-make-dispose" linear model, a circular approach emphasizes repair, reuse, redistribution, upcycling, and recycling. Research shows that second-hand clothes trading has the potential to reduce carbon emissions by a staggering 90% and save 33% of water consumption.
Another tool of the circular economy is responsible water management which includes strategies to restore freshwater and marine ecosystems in production regions, which can enhance resilience to climate change and protect communities.
In order for this transition to be fair, to simply reduce demand from consumers is not enough when so many livelihoods are at stake – governments, retailers, and consumers in the developed countries need to support suppliers and workers in developing countries to switch to sustainable production.

Global fashion brands have to invest in the transition, by leveraging the potential of renewable energy in the garment sector and diversifying into green industries and create jobs related to the repair, reuse, redistribution, upcycling, and recycling of garments.

Other than ensuring parties responsible internalize the external costs of fast fashion, governments (both from developed and developing countries) are also responsible for providing the climate finance needed – such as using the proceeds from carbon taxes and emission trading to fund or subsidise clean energy projects – to help developing countries transition to clean energy and sustainable practices, while also incentivising alternative sustainable livelihoods in the circular economy. This includes providing social protection and retraining for garment workers displaced by the shift away from the old paradigm.

Source: Oxfam.org.uk; 9 Oct 2024

Extract 5: Trends Shaping Vietnam's Textile and Apparel Sector

Over the past two decades, Vietnam has solidified its position as a major force in global textile and apparel manufacturing to become one of the largest garment exporters in Asia. The country's reputation continues to attract international buyers and strengthens its position in the global supply chain. Some of the top trends shaping Vietnam's textile and apparel sector in 2025:

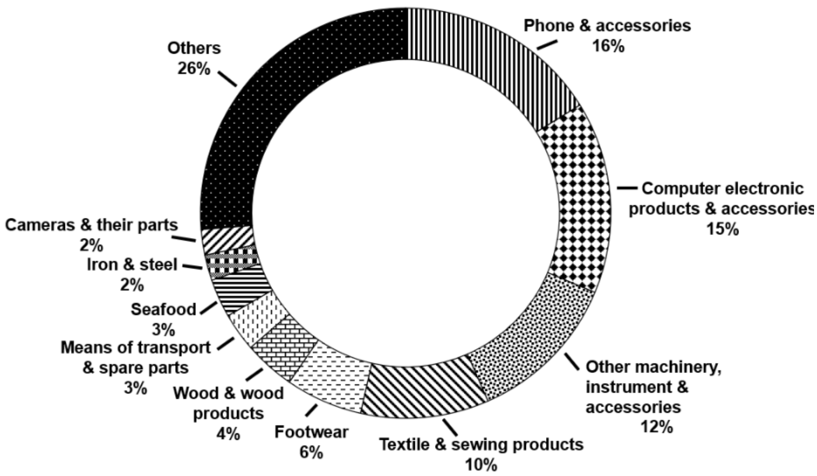
- **Eco-friendly manufacturing takes centre stage**
  - Sustainability is now a critical business mandate. In 2025, Vietnam's garment producers are ramping up green production through water-efficient dyeing, solar energy use, and closed-loop systems. Green factories attaining global certification standards are increasingly commonplace, signaling Vietnam's dedication to responsible production practices.

- **Stronger foreign direct investments and global partnerships**
  - Trade pacts are opening new doors for collaboration and affirms Vietnam's status as a foreign investment magnet. In 2025, foreign firms are not just outsourcing but partnering with Vietnamese manufacturers to enhance capabilities in innovation, quality control, and advanced technology adoption. Government incentives for eco-tech projects are further attracting strategic investors.

- **Upskilling the workforce for the future**
  - While cost-effective labour remains an advantage, automation is transforming workforce needs. There is a growing emphasis on technical training to support advanced machinery, digital systems, and sustainability protocols. This is helping create a future-ready workforce.

Source: Fibre2Fashion.com, accessed 29th Jul 2025

Figure 2: Vietnam's Top Export Sector



Source: Vietnam Manufacturing Brief, 2023

Questions

(a) With reference to Figure 1 and Extract 1:

(i) Explain what can be concluded about the change in the world price of cotton in 2023. [2]

(ii) Explain **one** demand and **one** supply factor that could impact world cotton prices. [4]

(b) 'Some governments thus implement programs such as minimum support price to support farmers.' (Extract 2) [4]

Explain how the above price control supports farmers and **one** possible unintended consequence of the policy.

(c) **(i)** "Some have even called for governments to tax the industry to reflect the 'true cost' of fast fashion" (Extract 3) [2]

Explain what is meant by 'true cost' of fast fashion.

(ii) Discuss whether the government should tax fast fashion to ensure that the 'true cost' has been accounted for. [8]

d) "Developing countries bear the burden of these environmental impacts from fast fashion pollution, while developed countries do most of the consumption". [10]

Discuss whether the **circular economy approach** is appropriate to achieve sustainable growth in developing countries such as Vietnam.

[Total: 30]

Question 2: Future of ASEAN and Inflation in Selected Member Countries

Extract 6: Inflation in Singapore

While overall inflation eased considerably in 2023, core consumer prices rose faster than expected in December, with price pressures expected to continue through early 2024. For 2023, all-items, or overall, headline inflation averaged 4.8 per cent, down from 6.1 per cent in 2022. However, core inflation – which excludes private transport and accommodation costs to better reflect the expenses of local households – edged up in 2023 to 4.2 per cent from 4.1 per cent in 2022.

Core inflation rates in 2023 were impacted by the increase in the goods and services tax (GST) rate to 8 per cent, the Monetary Authority of Singapore (MAS) and Ministry of Trade and Industry (MTI) said in a joint statement on Jan 23. MAS and MTI also stressed that while inflation eased globally in 2023, upside risks remain. The risks include global recovery from the covid pandemic, fresh shocks to global energy and shipping costs due to geopolitical conflicts, such as the disruption of shipping in the Red Sea, which has increased shipping costs, higher food commodity prices from adverse weather events, and more persistent-than-expected tightness in the domestic labour market.

Dr Chua Hak Bin, regional co-head of macro research at Maybank, said he expects MAS to maintain the current Singapore dollar appreciation stance in its upcoming quarterly review on Jan 29, given the elevated core inflation.

Source: The Straits Times, Jan 23 2024

Extract 7: Inflation in Philippines

The Philippine economy has witnessed a robust performance over the past few years. However, such performance was accompanied by high inflation which became the main issue of concern. Despite some moderation from its peak of 8.7 percent in January 2023, headline inflation was 6.0 percent for the full year of 2023 while core inflation recorded a notable increase from 3.9 percent in 2022 to 6.6 percent in 2023.

In general, inflationary pressures arise from a combination of demand and supply-side factors. The persistence of high inflation in 2023 was mainly due to domestic demand factors, including a positive output gap thanks to robust growth performance and second-round effects induced by minimum wage hikes and expectations of persistently high inflation. At the same time, local supply shocks, such as typhoons, animal diseases, and other natural disasters, adversely affected the agriculture industry while also contributing to the high inflation.

Between May 2022 and end-2023, the Bangko Sentral ng Pilipinas (BSP) tightened monetary policy aggressively by raising the policy rate ten times, from a historic low of 2.0 percent to 6.5 percent.

Source: BusinessWorld, Andrew Tsang, March 1, 2024

Extract 8: ASEAN Opportunities and Challenges

The Southeast Asian bloc ASEAN on Tuesday announced an ambitious strategic plan that includes increased regional trade, freer movement of businesses and people, enhanced transparency and regulatory practices and sustainable mining, industry and farming policies to attract foreign investment.

But despite rapid growth of its members economies in recent years and a collective GDP of $3.8 trillion, integration has been slow, with huge differences in its members' economies, political systems, population sizes and development levels, and no central authority to ensure compliance with ASEAN agreements and initiatives.

Challenges faced by ASEAN such as the disparities in economic development are evident not only in the gap in national income among ASEAN members but also in factors such as the number of highly skilled workers, infrastructure and technological development. Consequently, the benefits of economic globalization are not equally felt by all ASEAN members.

Lesser-developed states in ASEAN lack the resources needed to integrate into the global market and capitalize on its opportunities as effectively as more developed countries. Also, each member's policies and regulations vary based on their political and institutional regimes as well as their levels of socioeconomic development. Hence, policies are tailored to the domestic needs of respective countries. Differences in the development gap also leads to trade imbalance within ASEAN.

ASEAN members with more advanced economies such as Singapore tend to have higher-skilled workforces, stronger industrial bases and communication systems, higher productivity levels, and more modern infrastructure. These factors enable them to produce goods of higher quality and export a wider range of goods and services. On the other hand, lesser-developed states often face difficulties meeting the standards of more developed trade counterparts, resulting in trade deficits. Lastly, prevalence of non-tariff barriers in the ASEAN region hampers the free flow of goods, such as complex and high sanitary and hygiene standards of goods imported by more developed member countries.

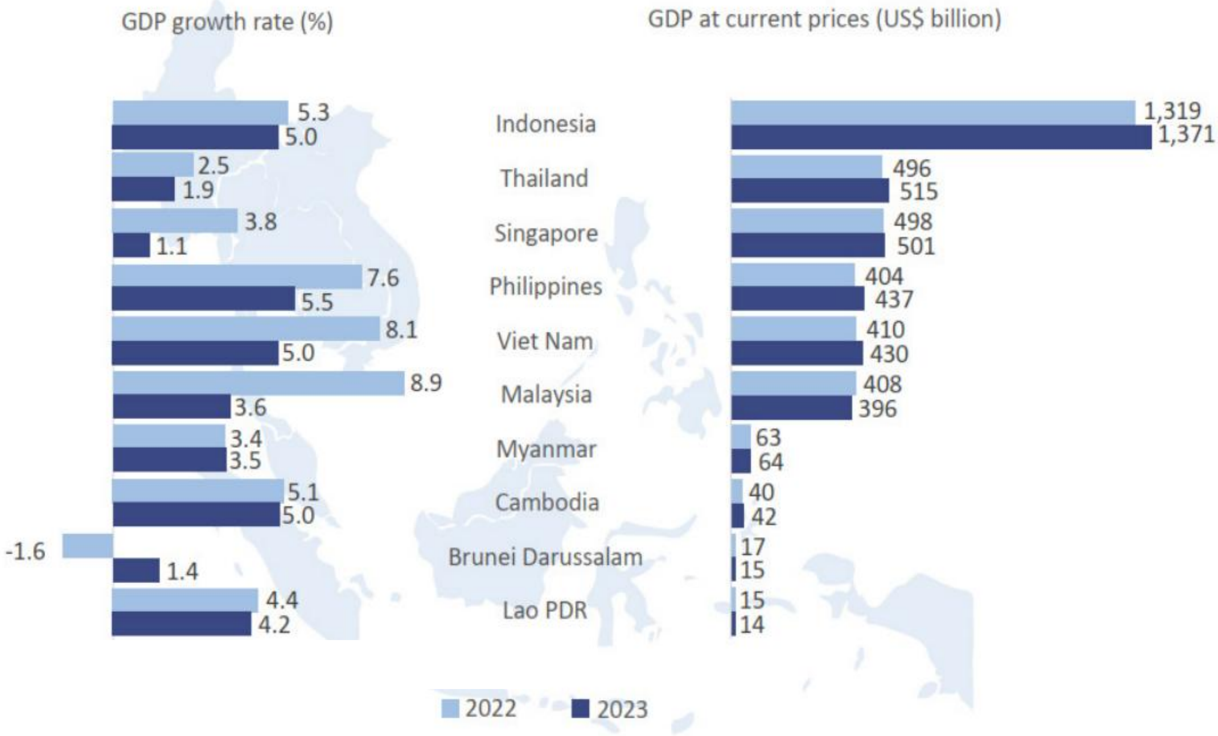
Various sources:
ASEAN's Economic Integration Strategies in the Context of Economic Globalisation, NGUYEN Minh Anh & DINH Thao Nguyen & Reuters, ASEAN unveils strategic plan to integrate its economies, May 27, 2025

Figure 3: ASEAN Inflation Rate (2020 – 2024)

	2020	2021	2022	2023	2024
Southeast Asia	**1.4**	**2.0**	**5.2**	**4.2**	**3.0**
Brunei Darussalam	1.9	1.7	3.7	0.4	-0.4
Cambodia	2.9	2.9	5.3	2.1	0.8
Indonesia	2.0	1.6	4.1	3.7	2.3
Lao People's Democratic Republic	5.1	3.8	23.0	31.2	23.3
Malaysia	-1.1	2.5	3.4	2.5	1.8
Myanmar	5.7	3.7	27.2	27.5	27.8
Philippines	2.4	3.9	5.8	6.0	3.2
Singapore	-0.2	2.3	6.1	4.8	2.4
Thailand	-0.8	1.2	6.1	1.2	0.4
Timor-Leste	0.5	3.8	7.0	8.4	2.1
Viet Nam	3.2	1.8	3.2	3.3	3.6

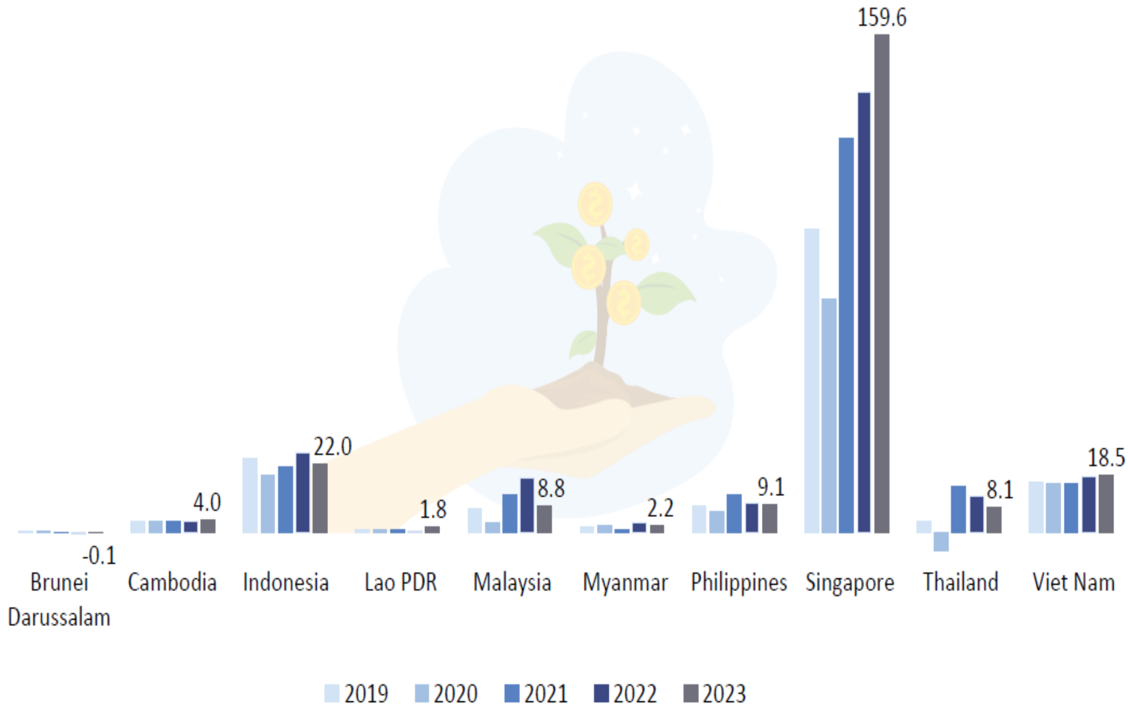
Source: Asian Development Bank, Data Library, April 2025

Figure 4: ASEAN GDP at current prices (US$ billion) and growth rate (%) by ASEAN member states (2022 – 2023)



Source: ASEAN Secretariat, ASEANstats database

Figure 5: Inward FDI flows (US$ billion) by ASEAN Member States (2019 – 2023)



Source: ASEAN Key Figures 2024, Volume 7, Dec 2024

Questions

(a) Describe Singapore's general price level from 2020 to 2023. [2]

(b) With reference to Extract 6, explain why core inflation is a better measurement of inflation in Singapore compared to headline inflation. [4]

(c) With the use of a diagram, explain how 'expectations of persistently high inflation' might affect the revenue of the firms in the agricultural industry. [4]

(d) Explain one reason why Singapore experienced the largest inward FDI among the ASEAN countries. [2]

(e) Discuss whether MAS stance on maintaining Singapore dollar appreciation is an appropriate policy to address her persistently high core inflation rate. [8]

(f) With reference to the data, discuss the most significant challenge faced by Philippines when ASEAN embark on the ambitious plan of further integration. [10]

[Total: 30]

***** The End *****