

# IB ECONOMICS – INTERNAL ASSESSMENT

## FRONT COVER

School code	Name of school
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Candidate name	Student A
Candidate number	
Teacher	
Title of the article	Bank voted 8-1 to maintain rates
Source of the article	BBC News <a href="http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7412156.stm">http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7412156.stm</a> (accessed on: 22/05/2008)
Date the article was published	21/05/2008
Date the commentary was written	22/05/2008
Word count (750 word maximum)	717
Section of the syllabus the article relates to (please tick the one which is most relevant)	<input type="checkbox"/> Section 1: Microeconomics <input checked="" type="checkbox"/> Section 2: Macroeconomics <input type="checkbox"/> Section 3: International economics <input type="checkbox"/> Section 4: Development economics

## Bank voted 8-1 to maintain rates

**The Bank of England voted eight to one to keep interest rates on hold at 5%, minutes of its last meeting show.**

Inflation has risen in recent months, driven by high oil and food prices, making policymakers reluctant to cut rates despite the cooling economy.

March's 0.8% monthly rise in consumer prices was the steepest for nearly seven years.

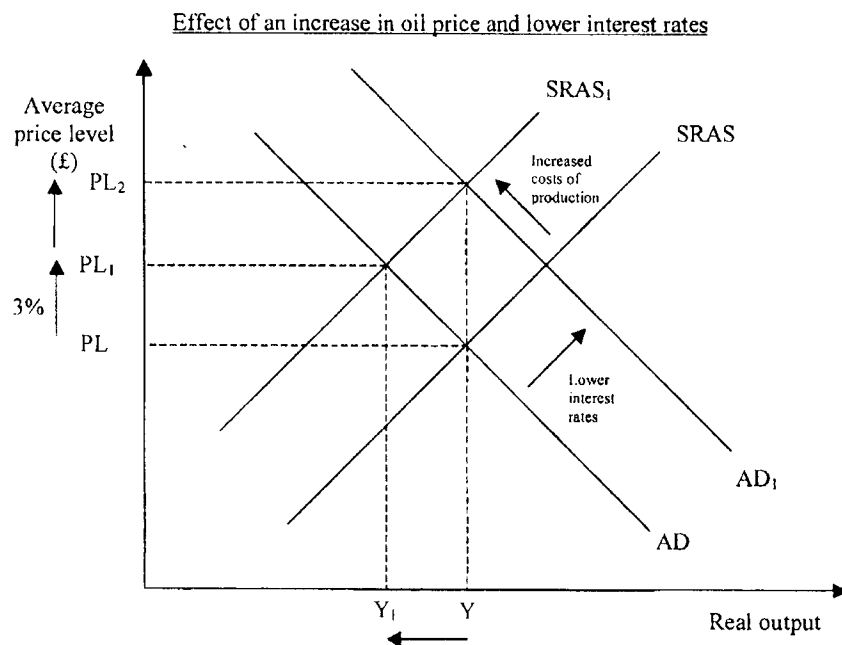
"Given the sharp rise in inflation in April it is not surprising that eight of the nine-strong Monetary Policy Committee (MPC) voted in favour of interest rates on hold two weeks ago," said George Buckley, head economist at Deutsche Bank.

Recent figures showing weakness in both the manufacturing and service sector have increased pressure on the MPC to cut rates to 4.75%.

Most believe that a significant slowdown is required to get inflation back to target and were concerned that another cut this month would give the impression that the committee was targeting growth, not inflation.

Two of the macroeconomic goals for all governments are: low and stable inflation, and high and stable growth. Inflation is a persistent increase in the general price level of the economy and growth is an increase in real output. These two goals often oppose each other in terms of monetary policy, and now the Bank of England must choose whether to raise interest rates to get inflation back on target to 2% or lower interest rates to deal with weakening aggregate demand, meaning rate cuts. Aggregate demand is the total spending on goods and services in an economy at every given price level.

The current inflation in the UK is mostly due to high oil and food prices and is therefore an example of cost-push inflation. Oil is important to nearly all areas of the economy, and therefore an increase in price will lead to an increase in costs of production, shifting the short-run aggregate supply curve inwards ( $SRAS \rightarrow SRAS_1$ ). Aggregate supply is the total amount of goods of services that all industries in an economy will produce at every given price level.



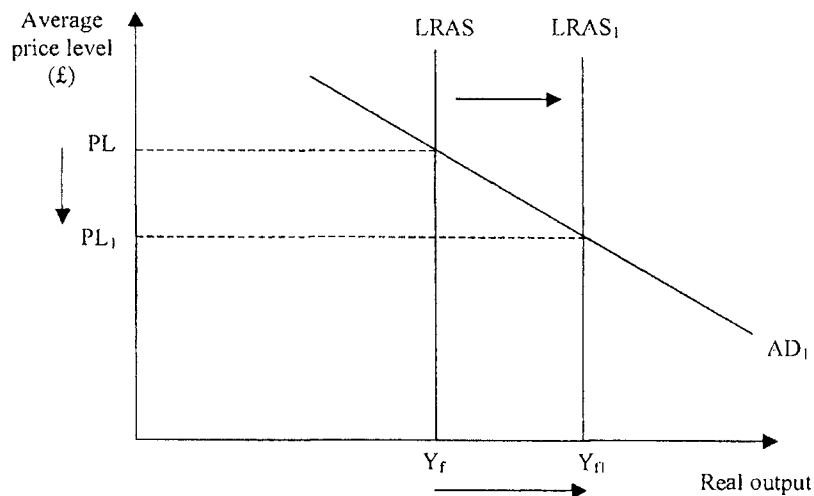
This leads to an increase in the general price level ( $PL \rightarrow PL_1$ ) and a decrease in real output ( $Y \rightarrow Y_1$ ). This inflation with negative growth is called stagflation and is particularly dangerous for the economy. Consumers with incomes that are not linked to inflation, or those with inflation-linked incomes when inflation is higher than expected, will experience a loss of purchasing power and, hence, a decrease in living standards because they can buy less goods and services for their money. It is important that the MPC “give the impression that [they are] targeting ... inflation”, so that workers and labour unions do not start demanding higher wages, which will increase costs of production further and initiate a wage-price spiral. For richer sections of society, this decrease in living standards may be less significant but they are also more likely to have large savings, which will lose value. Fortunately, the UK is currently not experiencing higher inflation than its trading partners, so British goods’ competitiveness on foreign markets should not be significantly affected.

Dixon implies that “rate hikes” could be used to combat this inflation. However, the costs of production are not largely affected by interest rates and therefore it is unlikely that raising them will counter-act this primarily cost-push inflation. Interest rates do, on the other hand, affect aggregate demand, which Blanchflower fears is weakening. Lowering interest rates would increase the incentive for firms to invest and add to the capital stock of the economy because loans are cheaper. Similarly, it increases consumption on durable goods, because consumers are more likely to take a loan to buy for example, a new car, if interest rates are lower. Investment and consumption are both components of aggregate demand so aggregate demand would increase ( $AD \rightarrow AD_1$ )

boosting output again ( $Y_1 \rightarrow Y$ ). However, this would lead to a higher general price level in the economy ( $PL_1 \rightarrow PL_2$ ), worsening inflation.

The best solution would be for the government to use supply side policies. These lead to growth ( $Y_f \rightarrow Y_{f1}$ ) and a decrease in the general price level ( $PL \rightarrow PL_1$ ), combating inflation.

#### Effect of supply-side policies



The government can shift the long run aggregate supply curve outwards by improving the quality and quantity of the factors of production. In the 80's and 90's there was much privatisation, a reduction in power of labour unions and lower income taxes but there are further measures that could be taken. Encouraging small business start-ups with grants and lower corporation tax would improve the factor of production entrepreneurship. The government can also directly provide education and training, which will improve the quality of labour and reduce structural employment thus

increasing the quantity of labour as well. Structural unemployment refers to those actively seeking employment but cannot find jobs due to a mismatch between their skills and location and the jobs available. As with all government spending, there is an opportunity cost, as other alternatives are foregone and the government is likely to run a deficit. Moreover, supply side policies are only effective in the long run.

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<b>Candidate name</b>	Student A
<b>Candidate number</b>	
<b>Teacher</b>	
<b>Title of the article</b>	USW calls paper trade case ruling 'Good News for Working Families'
<b>Source of the article</b>	Consumer News and Business Channel <a href="http://www.cnbc.com/id/27458855/site/14081545/">http://www.cnbc.com/id/27458855/site/14081545/</a> (accessed on: 1/11/2008)
<b>Date the article was published</b>	30/10/2008
<b>Date the commentary was written</b>	1/11/2008
<b>Word count (750 word maximum)</b>	675
<b>Section of the syllabus the article relates to (please tick the one which is most relevant)</b>	<input type="checkbox"/> Section 1: Microeconomics <input type="checkbox"/> Section 2: Macroeconomics <input checked="" type="checkbox"/> Section 3: International economics <input type="checkbox"/> Section 4: Development economics

USW Calls Paper Trade Case Ruling 'Good News for Working Families' - Press Releases - CNBC.com



**USW Calls Paper Trade Case Ruling 'Good News for Working Families'**

PR Newswire | 30 Oct 2008 | 01:58 PM ET

WASHINGTON, Oct. 30, 2008 /PRNewswire-USNewswire via COMTEX/ -- U.S. Trade Commission Puts Tariffs on Thermal Paper Imports from China, Germany The United Steelworkers (USW) joined Appleton Papers in applauding today's U.S.

International Trade Commission's (ITC) final determination to impose both anti-dumping and anti-subsidy duties on unfairly traded imports of lightweight thermal paper (LWTP) from China and Germany.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20080131/DC12982LOGO>) USW President Leo W. Gerard called the Commission's vote, "Good news for working families at paper mills in four states." He declared, "Our distressed economy and paper workers needed our government's decision in this case to warn foreign producers that when American industry is willing to fight for strong fair trade law enforcement -- they can get it." He especially singled out China's cheating on global trade standards, saying: "The ITC's enforcement order is a lesson for the communist government. When they illegally subsidize and dump their exports to steal our jobs, they risk five-year tariff orders that force them to abide by the rules of fair trade." The ruling is expected to bolster the job security of more than 1,700 paper mill workers at Appleton plants in Wisconsin, Pennsylvania and Ohio. Another producer of LWTP, Kanzaki Specialty Papers Co. in Springfield, Mass., employs 115 workers represented by the USW who will also be helped by the tariff order.

Appleton filed the trade case in September 2007 against China and German imports of LWTP, which is a heat-treated specialty paper used in the retail industry for customer receipts at stores, restaurants, in automated vehicle gas station pumps and ATM machines.

Jon Geenen, USW vice president for paper industry bargaining, who testified at the ITC hearing on Oct. 2, said, "Despite the fact that U.S. paper companies have become the most efficient producers in the world, American paper workers are in the fight for their lives." He told the Commission, "Our domestic market has become the dumping ground for unfairly traded foreign paper exports." Where he lives in Wisconsin, Geenen told the commission that 20 percent of the industry has been lost in seven years, a trend occurring across the country. "A total of 118,000 paper industry jobs have been lost from 2001-2007."

used article  
up to here ↓

Yesterday's ITC determination will apply duties the U.S. Department of Commerce (DOC) previously affirmed on Sept. 26 for thermal paper from certain Chinese producers and exporters that were sold at below fair value, resulting in final antidumping duties ranging from 19.77 to 115.29 percent. The DOC also affirmed that German producers and exporters of thermal paper sold the product in the U.S. at prices below fair value and imposed final anti-dumping duties of 6.5 percent.

The DOC had also announced its final determination concerning subsidized imports of LWTP from China. The Commerce Department imposed countervailing duties for all but one exporting company ranging from 13.17 percent to 137.25 percent.

Between the countervailing and antidumping duties, Chinese paper imports face total tariffs of 19.77 to 252.54 percent.

Foreign governments subsidize industries when they provide financial or other assistance to benefit the production, manufacture or exportation of goods.

Subsidies can take many forms, such as direct cash payments, preferential tax breaks, loans and subsidized inputs.

In 2007, imports of thermal paper from China were valued at an estimated \$53.3 million.

The USW represents Appleton paper processing mills employing 900 workers at the Appleton mill in Wis., 330 workers in West Carrollton, Oh, and 550 workers at Roaring Spring, Pa. The Ohio plant's USW Local 1-266 President Jim Allen testified at the ITC's October hearing. He was joined by USW Local 10-0422 Pres.

Mitchell Becker at Roaring Spring and USW Local 2-469 Pres. Rick Bahr of Appleton. About 50 union production employees from the three plants sat in the hearing room.

Strong support at the ITC hearing was given in testimony presented by Wisconsin Governor Jim Doyle; Ohio Governor Ted Strickland; Wisconsin U.S. Sen. Herb Kohl, Congressmen Steve Kagen and Tom Petri; Ohio U.S. Sen. Sherrod Brown and Congressmen Michael R. Turner; and Pennsylvania U.S. Sen. Robert P. Casey, Jr.

For more information on the LWTP trade case: [www.usw.org/](http://www.usw.org/)

Contact: Jon Geenen, 920-722-1288

Gary Hubbard, 202 778-4384; 202 256 8125 SOURCE United Steelworkers (USW) URL: <http://www.usw.org> [www.prnewswire.com](http://www.prnewswire.com) Copyright (C) 2008 PR Newswire. All rights reserved -0- KEYWORD: District of Columbia INDUSTRY KEYWORD: PAP SUBJECT CODE: POL

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URL: <http://www.cnbc.com/id/27458855/site/14081545/>

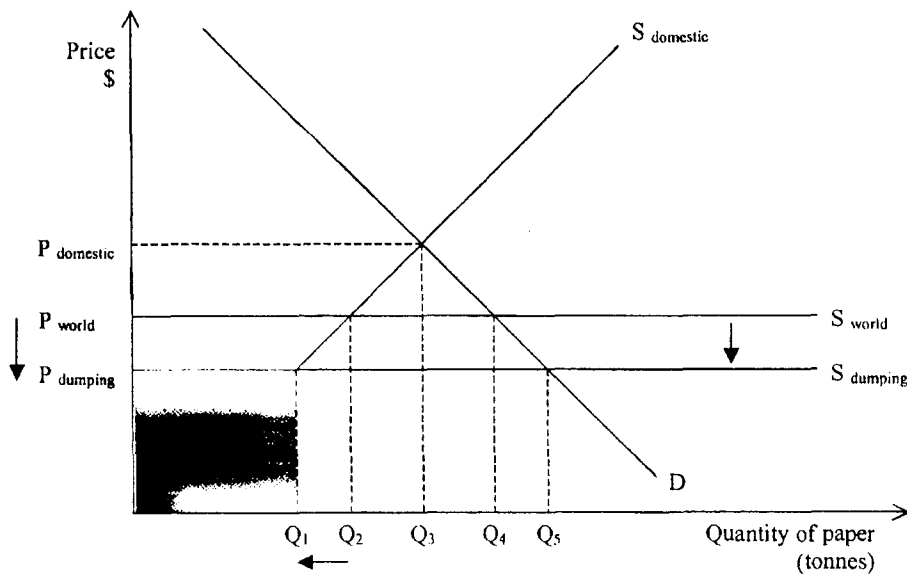
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Dumping is the selling of goods and services on foreign markets below their cost of production and is illegal. China and Germany have been accused of dumping thermal paper on American markets. Chinese and German government have subsidized their domestic industries, which is when governments offer advantages, such as payments, to firms to lower their costs of production, which enables them to export goods at a price ( $P_{\text{dumping}}$ ) lower than the normal cost of production ( $P_{\text{world}}$ )

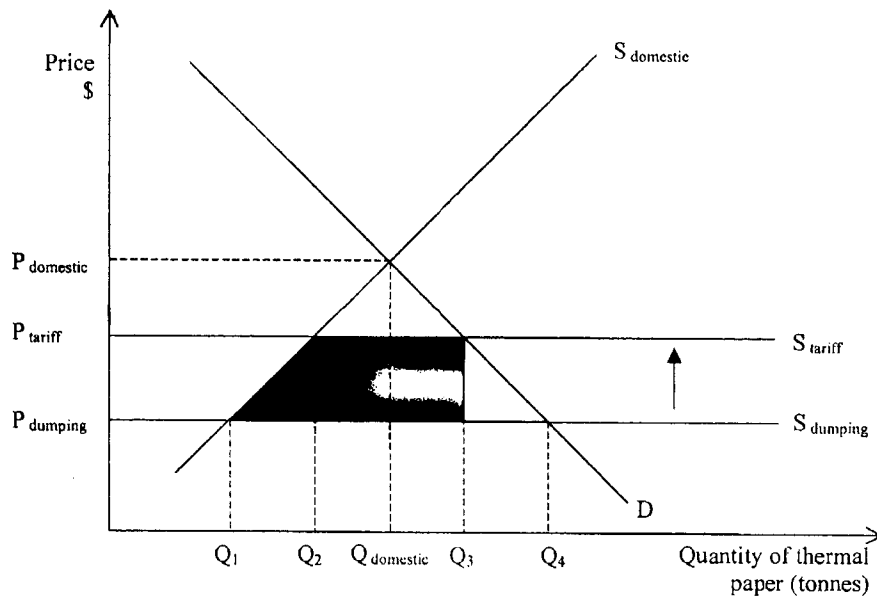
Dumping of Chinese thermal paper on American markets



Even if America's paper market contained no trade barriers to imports before this, the quantity supplied domestically would decrease ( $Q_2 \rightarrow Q_1$ ) because most domestic paper producers cannot compete with subsidized Chinese producers. This has caused "20% of the industry" to be lost in seven years. The worst hit are the American workers, because they have little skills that can be transferred, and so the workers that held the "118 000 paper industry jobs" that have disappeared are likely to remain unemployed. Structural unemployment like this will be difficult for the American government to deal with because it will require retraining and other large employment initiatives, which are very expensive. Chinese producers, on the other hand, would benefit from a greater market share ( $Q_2Q_4 \rightarrow Q_1Q_3$ ) and would be able to employ more Chinese workers. In addition, consumers and other industries that use thermal paper, for labelling for instance, will benefit from the lower price as their costs of production will decrease.

Even though the "US paper companies have become the most efficient" they lose their absolute advantage over China and Germany if other producers are subsidized. The US is said to have an absolute advantage if it can produce a good using fewer resources than another country can. To protect their industry and avoid unemployment, the US Trade Commission has chosen to place tariffs on imported thermal paper. A tariff is a tax on imports, which decreases supply of imported thermal paper on American markets (S dumping  $\rightarrow$  S tariff).

Imposition of a tariff on thermal paper imported to the US



Subsequently, the price of thermal paper will rise ( $P_{\text{dumping}} \rightarrow P_{\text{tariff}}$ ). At this price, more American firms are able to compete thus a larger quantity is supplied by domestic industry ( $Q_1 \rightarrow Q_2$ ), and a smaller quantity is imported ( $Q_1Q_4 \rightarrow Q_2Q_3$ ). Not only does this raise the total revenue of domestic paper industries ( $P_{\text{dumping}} Q_1 \rightarrow P_{\text{tariff}} Q_2$ ), but it also secures jobs for “1 700 paper mill workers”. On the other hand, there is a deadweight welfare loss. Firstly, an efficiency loss (  $\blacktriangle$  ) because it is no longer the most efficient producers supplying thermal paper ( $Q_1Q_3$ ). This is arguable, however, as Chinese and German industries are supposedly only able to export at a lower price because they are illegally subsidized by their governments and, thus, aren’t actually more efficient.

Moreover, there is a welfare loss (  $\triangle$  ) because consumer surplus is lost when  $Q_3Q_4$  is no longer supplied. The government, however, gains tax revenue from the tariffs (  $\blacksquare$  ). This can be used to decrease the current US budget deficit. Although as a developed country, it is more likely that the tariffs are imposed to protect employment than to gain tax revenue.

Accusations of dumping are often used as a pretext for protectionist policies like these tariffs. If China and Germany are, in fact, not selling at a price lower than production costs but are simply more efficient, then the US is only prolonging the decline of their own paper industry. In the short run it may help avoid structural unemployment, but in the long run this misallocation of resources can have significant implications. Keeping the price of thermal paper high will affect other industries such as calculator and cash register manufacturers. Fortunately, because thermal paper is not fundamental to most industries, tariffs on this good are unlikely to lead to widespread unemployment elsewhere. Moreover, China and Germany could have imposed voluntary export restraints to avoid legal restrictions, in this case tariffs, being imposed against them. This would mean voluntarily reducing the quantity of thermal paper exported to America.

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<b>Candidate number</b>	
<b>Teacher</b>	
<b>Title of the article</b>	China-Peru trade agreement expands China's reach in Latin America
<b>Source of the article</b>	Money Morning <a href="http://seekingalpha.com/article/107133-china-peru-trade-agreement-expands-china-s-reach-in-latin-america">http://seekingalpha.com/article/107133-china-peru-trade-agreement-expands-china-s-reach-in-latin-america</a> (accessed on: 20/11/2008)
<b>Date the article was published</b>	20/11/2008
<b>Date the commentary was written</b>	9/12/2008
<b>Word count (750 word maximum)</b>	697
<b>Section of the syllabus the article relates to (please tick the one which is most relevant)</b>	<input type="checkbox"/> Section 1: Microeconomics <input type="checkbox"/> Section 2: Macroeconomics <input type="checkbox"/> Section 3: International economics <input checked="" type="checkbox"/> Section 4: Development economics

## China-Peru Trade Agreement Expands China's Reach in Latin America

By Jason Simpkins

China and Peru signed a free trade agreement Wednesday that will pave the way for further cooperation between the two countries and broaden China's influence in Latin America.

Chinese President Hu Jintao landed in Peru along with a delegation of nearly 600 business leaders and finance ministers that will accompany him to this weekend's Asia-Pacific Economic Cooperation (APEC) summit in Lima. However, before the conference officially kicks off, President Hu and Peruvian President Alan Garcia signed a free trade agreement that will likely result in China overtaking the United States as Peru's biggest trading partner.

The mineral-rich Peru, which is home to large deposits of iron ore and copper, figures to play a large part in China's relentless quest for raw materials. Aluminum Corp. of China Ltd. (ADR: ACH), for instance, recently signed a \$2.2 billion deal to extract more than 7 million tons of copper from Peru's Toromocho mine.

"Some foreign companies are basically canceling their projects in Peru," Zhu Jingyang, a Chinese representative in Lima told The Associated Press. "That's not the case for China."

China has made similar forays into other Latin American countries, such as Chile, where it signed a free trade agreement in 2005. Last year, China supplanted the United States as Chile's top trading partner. Analysts see a similar situation unfolding in Peru.

"It is inevitable that China will become Peru's number one trading partner," Juan F. Raffo, chair of APEC Business Advisory Council, told the Financial Times. "China now has 300 million people that are comparable to U.S. citizens in their consumption . . . that figure is growing. Their 1.3 billion citizens, minus the elderly, are sooner or later going to jump the fence and consume at developed world levels."

Luis Valdivieso, Peru's finance minister, told the FT that China would be instrumental in helping Peru outgrow its dependence on the United States.

"We are very concerned about the recession that is going on in the U.S., Europe and the slowdown in Japan," Valdivieso said. "So for us, China becomes an important partner."

Valdivieso added that the United States will remain an important trade partner, but that it is also crucial that the country diversify its markets. That is true of almost all Latin American countries where trade with China is growing at a torrent pace. China's trade with Latin America totalled \$102 billion last year, but it has already eclipsed \$111 billion in the first nine months of 2008.

In addition to Peru and Chile, China has already signed free trade agreements with Costa Rica and Cuba. In fact, Cuba's state news agency reported that President Hu has signed almost a dozen agreements with Cuba, including plans to upgrade infrastructure and buy sugar and nickel.

And last year, China's State Administration of Foreign Exchange (SAFE) last year used the purchase of \$300 million in Costa Rican government bonds as leverage to get the Central American nation to sever diplomatic ties with Taiwan that stretched back 63 years.

In Brazil, China is currently in negotiations are negotiating to build a \$3 billion steel mill with help from the Bank of China, which is set to open a branch with a \$100 million in lending capital there next year. China has also sunk billions into oil exploration in Ecuador, Colombia and Venezuela.

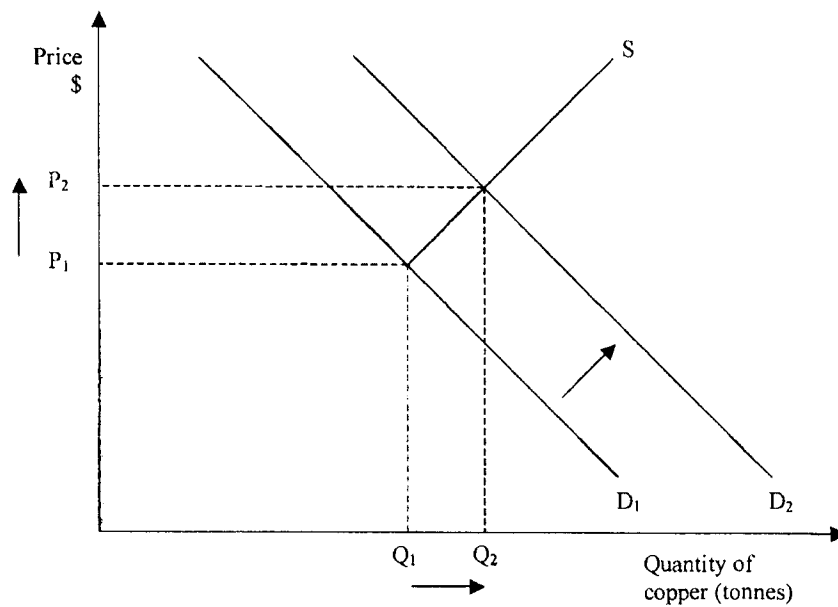
"The reality is that to some degree the fate of Latin America has been decoupled from the US," Daniel Erickson, of the Inter-American Dialogue thinktank, told the AP. "Or at least it's not as tightly entwined as it used to be."

Money Morning is a global investing news service that publishes a free daily e-letter ([www.moneymorning.com](http://www.moneymorning.com))

A free trade agreement means that there will be virtually no trade barriers between members, and that members can trade in whichever way they like with non-members. By forming this agreement with China, it appears that Peru is adopting export-oriented strategies for growth, meaning that they seek to increase their GDP by selling their goods on foreign markets.

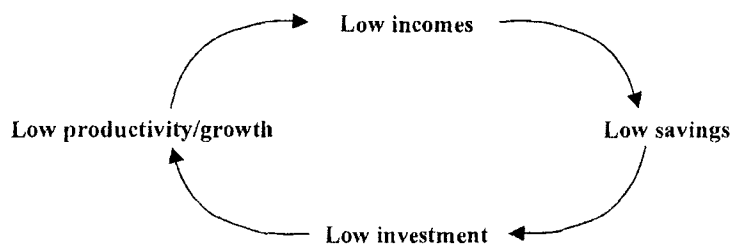
China's growing markets of "300 million people that are comparable to U.S. citizens in consumption" would greatly add to the demand for Peru's copper and iron ( $D_1 \rightarrow D_2$ ).

Effect of liberalizing trade with China on Peruvian copper market



Although demand for commodities such as copper tends to be price inelastic, demand for Peruvian copper in particular is more elastic because there are many alternatives such as copper from another country. The total revenue for Peruvian copper producers should increase ( $P_1Q_1 \rightarrow P_2Q_2$ ). However, increasing output ( $Q_1 \rightarrow Q_2$ ) to meet increased demand requires significant amounts of investment, which is the addition of capital stock to the economy by firms. For this to occur firms need to be able to take loans but, as is characteristic of a less developed country, Peru has low saving rates and therefore not much money is available for loans. Instead, Chinese firms can fill the savings gap by investing directly in Peru such as “Aluminium Corp. of China Ltd” extracting copper from the Toromocho mine. This is known as foreign direct investment.

This investment leads to an increase in Peru’s GDP, which is the total amount of goods and services produced by factors of production residing within Peru’s borders in a given period of time, usually a year. It will also break the poverty cycle that might otherwise prevail in Peru:



It raises investment in Peru as well as creating more jobs for local workers, which will reduce unemployment and raise local incomes.



However, it could be that all profits are sent back to China and thus will not contribute to Peru's growth in the long run because profits are not reinvested into Peruvian industry. To determine the effect of Chinese investment it would be more useful to look at GNP, which is similar to GDP but excludes output produced by foreign factors of production in Peru and includes output by Peruvian factors of production overseas.

Nevertheless, Peruvian firms are likely to gain knowledge and improve technology from this investment as it can learn from Chinese multinational corporations (MNCs). MNCs are firms that have assets in at least two countries. Human capital may be improved because management and entrepreneurial skills can be transferred to local businesses, and because Chinese firms might educate local workers. Improved quality of the factors of production labour, capital and entrepreneurship will increase Peru's potential output and, in the long run, possibly increase actual output. The problem is that MNCs rarely employ locals in high positions.

Furthermore, it is not certain that Chinese investment will lead to development in Peru. Development is considered as a general increase in the standard of living in terms of health, education, etc. and, in a broader sense, greater choice and freedom could be included. On one hand, foreign investors often "upgrade infrastructure" as China has promised to Cuba, which will benefit citizens and local industries. This could include improving the electricity supply or building roads. The government can also gain tax revenue from, for example, the "\$2.2 billion deal to extract copper" and if this is spent on merit goods then it could contribute to development.

On the other hand, intensive mining could lead to pollution and the depletion of natural resources in the long run. This is not sustainable development because it doesn't

allow present populations to meet their needs without compromising the ability of future generations to meet their needs. While investment of this kind can generate short-term growth, it is likely to be unsustainable and leave governments with increased costs in the future.

To sum up, Chinese firms benefit the most from the free trade agreement because they can exploit new natural resources without facing consequences. Peruvian workers may benefit from increased employment opportunities. Peru as a whole, however, will not gain any long-term growth or development if none of the profits are reinvested and no attention is paid to the environment.

## IB Economics—internal assessment summary portfolio coversheet

School code	Name of school		Candidate name		
Candidate number	Student A				
Commentary number	Date article published	Date commentary written	Different and appropriate source	Section of the syllabus the article relates to	Number of words
A1	21/05/2008	22/05/2008	✓	2	717
A2	30/10/2008	1/11/2008	✓	3	675
A3	20/11/2008	9/12/2008	✓	4	697

### Example A1: “Bank voted 8–1 to maintain rates”

#### Moderator comments

Criterion	A	B	C	D	E	Total
Marks available	3	2	2	3	4	14
Marks awarded	3	2	2	2	3	12

The section of the syllabus example A1 appropriately relates to is section 2.

#### Nature of the article

The article was published within one year of when the commentary was written, and the source is acceptable and very common: the British Broadcasting Corporation (BBC).

The article is short, and not overly inspiring, but it allows the student to analyse an economic issue, and has a degree of ambiguity that can be discussed in the commentary. The article could be criticized for containing a significant amount of economics, but the theories alluded to in the article are not developed or explained.

#### Criterion A: Diagrams

The two diagrams are both relevant and explained. They are also correctly labelled. However, the explanations lack some detail and are best described as correct and adequate. The second diagram does not really explain how an increase in LRAS–LRAS1 (long-run aggregate supply curve) would lead to lower prices and economic growth. It is a judgment call whether the explanation is “limited” or “full”, that is to say, whether at level 2 or 3. On balance the “best fit” is level 3, but this is borderline.

**Criterion B: Terminology**

This is strong throughout. The student understands, and can use, the terminology of economics.

**Criterion C: Application**

The analysis is linked to the article, and the idea of interest rate changes and their effects is clear throughout, even though the student goes slightly off topic in the latter stages of the commentary.

**Criterion D: Analysis**

As with criterion A, this is borderline between the two levels.

The student clearly understands the role interest rates play in the economy, but makes a mistake when he or she concludes that interest rates do not largely affect business costs. The idea of privatization is introduced, but not convincingly, and the analysis of the effectiveness of supply-side policies is not thorough.

The analysis is almost at a level 3, but not quite.

**Criterion E: Evaluation**

There is some strong evaluation, particularly in the first half of the commentary. The student correctly points out that the effect of unanticipated inflation is a problem for wage negotiators. It is also made clear that a loss of international competitiveness is not a problem if trading partners have similar inflation rates. However, towards the end of the commentary the evaluation weakens, and only a cursory statement about the long run is included at the end.

**Overall**

A good commentary, but not without its faults. Evaluation and analysis could both be improved.

**Example A2: “USW calls paper trade case ruling ‘Good News for Working Families’”**

**Moderator comments**

<b>Criterion</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>Total</b>
Marks available	3	2	2	3	4	14
Marks awarded	3	2	2	3	4	14

The section of the syllabus example A2 appropriately relates to is section 3.

**Nature of the article**

Students often choose articles about trade. Although a business news source may not be the best choice for an article, this one is interesting. The article does not investigate both the Chinese and German viewpoints, allowing the student to analyse and evaluate.

#### **Criterion A: Diagrams**

This is a difficult decision as the diagram is a little unusual. Normally we see diagrams showing tariffs shifting up supply world (Sw) (as they apply to all imports); here we are seeing only subsidies to Chinese and German manufacturers, but the Sw line is shifted downwards. The student does not take account of this. However, this is a complex point (for a Diploma Programme student). Other than this, the diagram is explained well. The second diagram is used very well, with strong use of colour and symbols to illustrate various aspects.

#### **Criterion B: Terminology**

Strong throughout. At the level required for full marks for this criterion.

#### **Criterion C: Application**

Throughout this commentary it is clear the student is always analysing the article.

#### **Criterion D: Analysis**

The analysis of the article is effective. Although the student jumps to conclusions that paper mill workers have limited transferable skills, the correct concepts are chosen and used in a sensible and relevant fashion. For example, the student writes that paper mill job losses in the United States of America are most likely structural unemployment.

#### **Criterion E: Evaluation**

This is a strong example of 4/4 in terms of evaluation. Remembering that this student is most likely at high school, he or she has managed to not only discuss who this will affect but also makes a judgment about paper not being a strategic good, and uses this to back up the judgment that overall the tariff will lead to a loss of economic welfare. Furthermore, the idea that this is unfair trade is questioned, and the consequences of this being solely a pretext for protectionism is also considered. This is strong evaluation. Judgments are made that are supported by effective reasoning.

#### **Overall**

Giving a 14/14 is controversial and, as always, this is not a perfect commentary. There are some faults (for instance, the diagram confuses world supply with Chinese supply). However, it is a very strong commentary and contains relevant analysis and excellent evaluation. On balance, it would be inappropriate to remove a mark for any one of the specific criteria.

#### **Example A3: “China–Peru trade agreement expands China’s reach in Latin America”**

## Moderator comments

Criterion	A	B	C	D	E	Total
Marks available	3	2	2	3	4	14
Marks awarded	2	2	1	3	4	12

The section of the syllabus example A3 appropriately relates to is section 4.

### Nature of the article

The article, which seems a little dry at first glance, discusses the free trade agreement between Peru and China demonstrating trade as a path to development.

The source is questionable. "Seeking Alpha" is a free provider of stock market opinion and analysis from blogs, money managers and investment newsletters, and a provider of its own financial content. It has its own editorial staff, as well as being a traditional blog.

### Criterion A: Diagrams

This is on the borderline between levels 2 and 3. The explanation of the first diagram is strong, but the second one is weaker with no real explanation. If the second diagram had been better explained (as it could have easily been made relevant), then it would have been a level 3.

### Criterion B: Terminology

Relevant economic terms and concepts are used extensively in this commentary.

### Criterion C: Application

After the introduction the commentary might have developed the concept of free-trade along free-trade lines (with perhaps a rejection of protectionism and praise of competitive advantage) and moved to emphasize the concepts in development. The theory could have been more focused on problems of development and there was a minor error concerning the difference between GDP and GNP.

### Criterion D: Analysis

Strong analysis throughout the commentary. Peru is a developing country and trade is a potential path to development. Therefore the analysis is relevant.

### Criterion E: Evaluation

The evaluation of this commentary is once again very strong.

The student considers appropriately the role of price elasticity of demand (PED) in increases of demand and suggests gross national product (GNP) as perhaps a more appropriate measure when

judging the impact of the free-trade agreement. There is a slight confusion on the student's part between gross domestic product (GDP) and GNP. The likelihood of employing locals in executive positions is also considered, and the negative effects this can have on the technology transfer are also strong. The long-term benefits are questioned.

In summary, this is strong evaluation.

**Overall**

This is an interesting commentary and the analysis and evaluation are strong. What could have been a perfect commentary receives 12 as a result of a poorly explained diagram and aspects of criterion C: application.

**Criterion F: Rubric requirements**

This criterion assesses the extent to which the student meets the five rubric requirements for the complete portfolio.

<b>Criteria</b>	<b>Yes/no</b>	<b>Comments</b>
Word limit	✓	Correct
Section of the syllabus— articles	✓	Appropriate
Sources	✓	Acceptable, although the third source is questionable.
Contemporary articles	✓	Appropriate
Contents	✓	Correct
Marks out of 3 (criterion F)	3/3	All five rubric requirements are met
<b>Marks out of 14 x 3</b>		$12 + 14 + 12 = 38$
<b>Total marks</b>		$38 + 3 = 41/45$