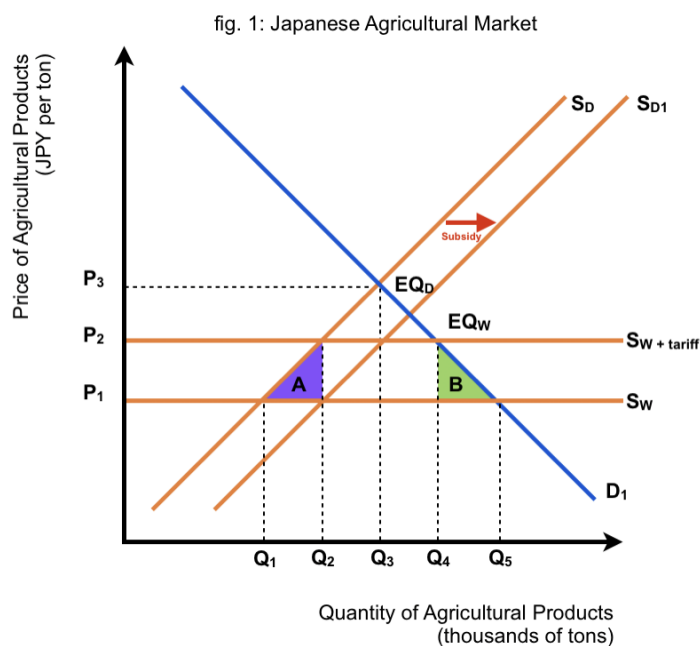


Appendix 1 – L2 English Sample Text (1C)

The article outlines the main impacts of the Regional Comprehensive Economic Partnership (RCEP) on Japan and its relations to other signatories. While described in the article as a “free trade zone”, this is not entirely accurate. A free trade area, in economic terms, means an agreement between signatory countries which effectively eliminates tariffs, whereas the RCEP only cuts some. Additionally, the RCEP includes provisions characteristic of a common market, in that the signatory countries have agreed to “common rules in areas such as e-commerce and intellectual property”. Still, the RCEP best fits the model of a preferential trading area, as it does not eliminate all tariffs nor establish common external barriers or entirely standardize product regulations.



With tariffs eliminated, the price of RCEP member states' agricultural goods in Japan effectively decreases from P_2 to P_1 . Where before, domestic producers (S_D) were willing and able to supply Q_2 of agricultural products at a price lower than the world

price of P_2 , domestic producers will now only supply Q_1 . As a result, RCEP producers will supply $[Q_5 - Q_1]$ agricultural products, increasing their revenues. Revenues of domestic producers, in contrast, will fall to $[P_1 \times Q_1]$, and a loss of producer surplus of $[A]$ will be incurred. Consumer surplus will, however, increase by $[B]$ and $[Q_5 - Q_4]$ more goods will be demanded.

These results, however, could be mitigated. Assuming Japan were to subsidize domestic agricultural production, which it already does to a significant extent, with a per-unit subsidy equal to the decrease in end consumer price the tariff's elimination leads to, the market would return to the initial situation. Through this subsidy, domestic supply of agricultural goods would shift from S_D to S_{D1} , meaning Japanese agricultural producers would, again, supply Q_2 goods. The benefits to consumers would remain, however, as the lower price of P_1 would be maintained and Q_5 of goods still demanded, though the Japanese government would face lower net revenues and a high opportunity cost, having used tax-payer money for subsidies rather than, for example, social services or infrastructure.

Additionally, it could be argued that this tariff's effect will be lesser than indicated above simply due to Japanese consumers not seeing foreign goods as substitutes. Setting aside the issue of physiological differences between crops from, for example, Cambodia and Japan, Japanese consumers may tend to purchase local goods rather than imports, causing the actual quantity of foreign agricultural goods purchased to be less than Q_2 , as consumers would see their utility as lower than that of higher-priced domestic products. Additionally, the RCEP agreement does not affect tariffs on "rice, wheat, dairy products, sugar, and beef and pork", calling into question its

significance for agricultural imports into Japan, when such significant product categories have been excluded.

The second issue the RCEP addresses, according to the article, is that of Japan’s industrial exports, specifically making the “supply chains more efficient”. Assuming the below situation, where Japan produces economic technological goods with supply chains of its firms extending to other RCEP countries, where it is more efficient to produce components for them, multiple conclusions can be drawn.

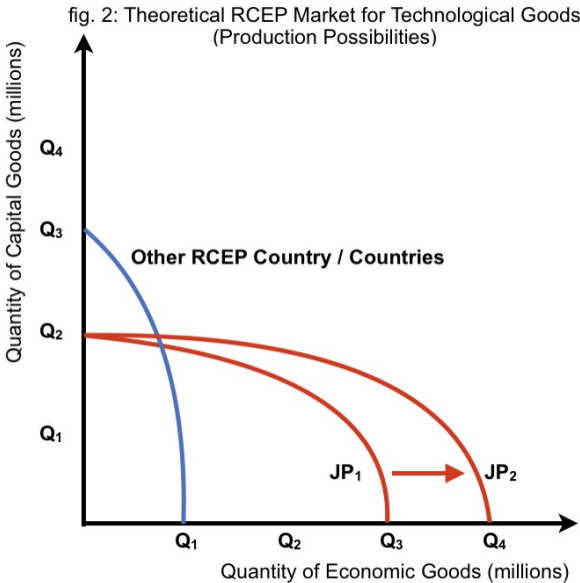


fig. 3: Production Outcomes from fig. 2

	Japan	Other RCEP
Capital Good Production (max)	Q ₂	Q ₃
Opportunity Cost (of Cap. Goods in terms of Econ. Goods)	3/2 Q ₁	1/3 Q ₁
Econ. Good Production (max)	Q ₃	Q ₁
Opportunity Cost (of Econ. Goods in terms of Cap. Goods)	2/3 Q ₁	3 Q ₁
NOTE	The following applies: Q ₂ = 2 Q ₁ , Q ₃ = 3 Q ₁ , Q ₄ = 4 Q ₁ .	

In this situation, both countries have varying opportunity costs for capital and economic goods, with Japan having a comparative advantage in economic goods (by producing them at a lower opportunity cost of 2/3 Q₁) and Other RCEP countries having such an advantage (1/3 Q₁) in capital good production. With the RCEP limiting tariffs (up to 91.5% on Japanese industrial goods) and establishing “common rules” for e-commerce, costs for import both in terms of fees and administrative procedures are limited. This allows firms to operate more cost-effectively transnationally and to exploit the comparative advantages of both regions. It is also possible that with

Japanese firms having access to a greater amount of capital goods at a lower price, Japan's production possibilities for economic goods made from those capital goods will increase (from JP_1 to JP_2). In the long run, this could allow Japanese firms to produce Q_4 economic goods while other RCEP countries manufacture Q_3 capital goods, rather than both regions producing both, increasing allocative efficiency. The RCEP standardizing intellectual property rights could also further this goal. Before, firms had a stronger incentive to keep trade secrets in their home country, as moving manufacturing abroad to countries like China meant risking semi-legal appropriation of their patents and manufacturing of copycat products. With the RCEP in place, firms could be more confident this will not be the case.

Appendix 2 – L1 English Sample Text (1A)

Japan, China and other Asian nations sign massive RCEP trade pact

Asia-Pacific countries including Japan, China and the 10 members of ASEAN signed a regional trade deal on Sunday covering nearly a third of the global economy, wrapping up eight years of negotiations following the withdrawal of India.

The 15 signatories to the Regional Comprehensive Economic Partnership reached the agreement, aimed at cutting tariffs and establishing common rules in areas such as e-commerce and intellectual property, during a virtual leaders' summit.

RCEP — also including Australia, New Zealand and South Korea — will create Asia's biggest free trade zone encompassing about a third of the world's population.

It will be Japan's first trade deal with both China, its largest trading partner, and South Korea as negotiations for a trilateral pact have yet to be concluded.

Speaking to reporters after signing the deal, trade minister Hiroshi Kajiyama said the 15 countries were seeking to wrap up domestic procedures quickly and put the pact into effect "as quickly as possible."

"Through the tariff removals, I believe there'll be a major impact on improving Japan's exports and making the region's supply chains more efficient," Kajiyama said. "I strongly believe we are building free and fair economic rules through introducing new rules on data free flows and the banning of demands for technology transfers, as well as the protection of intellectual property."

Supporters of the trade pact, which covers 2.2 billion people with a combined GDP of \$26.2 trillion, said it will bolster pandemic-weakened economies by reducing tariffs, strengthening supply chains with common rules of origin, and codifying new e-commerce rules.

"The completion of negotiations is a strong message affirming ASEAN's role in supporting the multilateral trade system," Vietnamese Prime Minister Nguyen Xuan Phuc said as he hosted the virtual signing ceremony. The agreement will contribute to "developing supply chains that have been disrupted due to the pandemic as well as supporting economic recovery," he said.

Negotiators pushed the deal across the finish line after India surprised participants late last year by abandoning the agreement. Prime Minister Narendra Modi said he pulled out over concerns about how RCEP would affect the livelihoods of Indians, particularly the most vulnerable. India, though, will be allowed to rejoin the trade pact.

"The clause allowing India to join at a later date is symbolic and shows China's desire to build economic bridges with the region's third-largest economy," said Shaun Roache, Asia Pacific chief economist at S&P Global Ratings.

Whether RCEP changes regional dynamics in favor of China depends on the U.S. response, experts said. The agreement underscores how U.S. President Donald Trump's 2017 decision to withdraw from a different Asia Pacific trade pact — the

Trans-Pacific Partnership — diminished America's ability to offer a counterbalance to China's growing regional economic influence.

That challenge will shift to President-elect Joe Biden. Still uncertain is how the Biden team will approach trade deals and whether it tries to re-enter the 11-nation TPP.

RCEP was expected to fall significantly short of the revised TPP or Japan's trade deal with the European Union in cutting tariffs.

Despite RCEP's historic size, it is surpassed by other major trade deals in the level of market access. The deal will eliminate tariffs on 91% of goods compared with 99.9% for the revised TPP.

Japan will eliminate 61% of tariffs on agriculture imports from ASEAN nations, Australia and New Zealand, 56% for China, and 49% for South Korea, while maintaining tariffs on five product categories — rice, wheat, dairy products, sugar, and beef and pork — to protect domestic farmers.

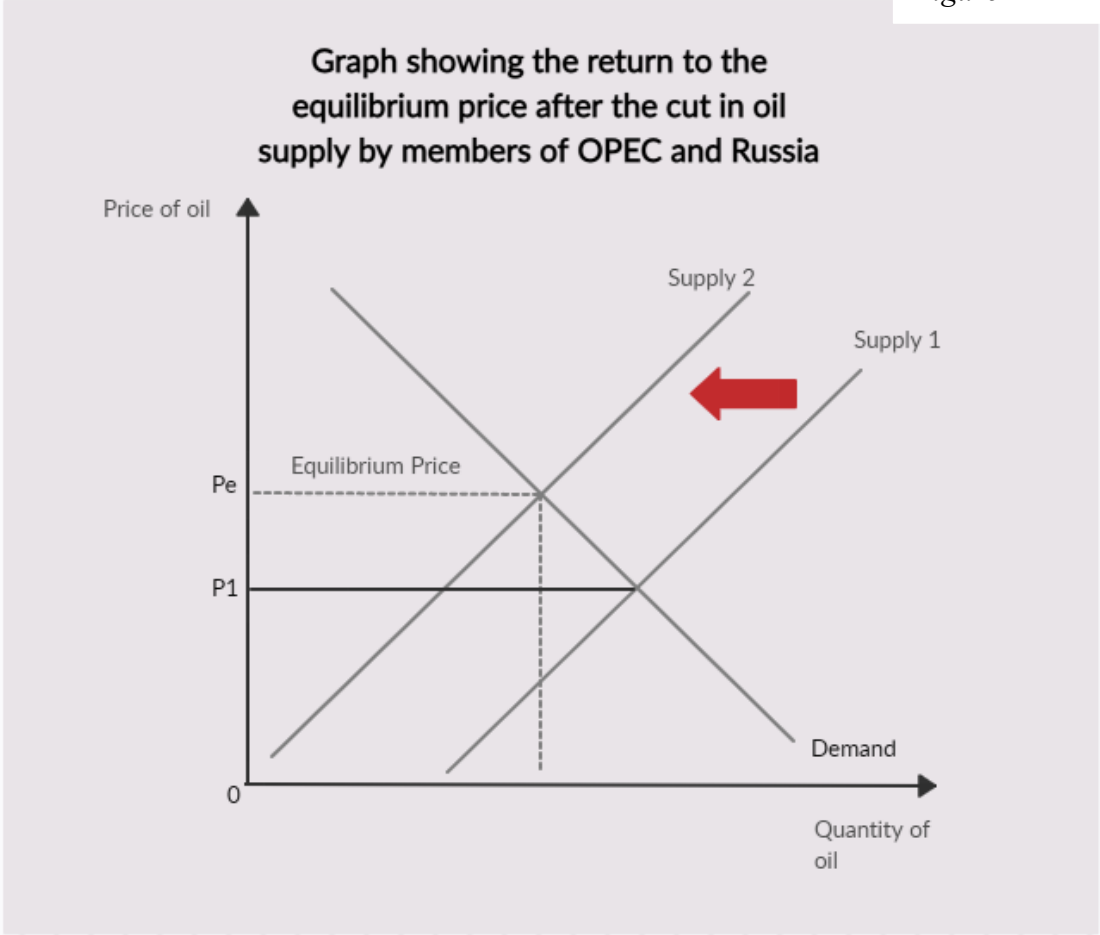
Meanwhile, the other countries will cut 91.5% of tariffs on Japanese industrial exports.

Appendix 3 – L2 English Sample Text (20C)

Due to a number of incidents which occurred worldwide, including the current COVID pandemic, the demand for oil in the world decreased. The **interdependence** of economies is an essential cause to the global drop in demand of oil. Not only the pandemic, which affects all the stakeholders taking part in the oil market, but a number of local events can massively influence the global economy.

As a mean to reach the previous demand levels, many international groups, including OPEC (The Organization of Petroleum Exporting Countries), which includes countries from the Middle East and Russia along with its allies have debated on reducing the supply. This solution to the drop in demand would be ideal, as it is a natural procedure in which to deal with a excess of supply. On the following graph, we can see the effects of this policy, which was discussed within the OPEC group and Russia. The initial price P_1 occurs during a excess of supply and the decrease in the supply would mean the return to an equilibrium price. At this point, $MC=MB$, meaning the market would be closer towards achieving allocative efficiency.

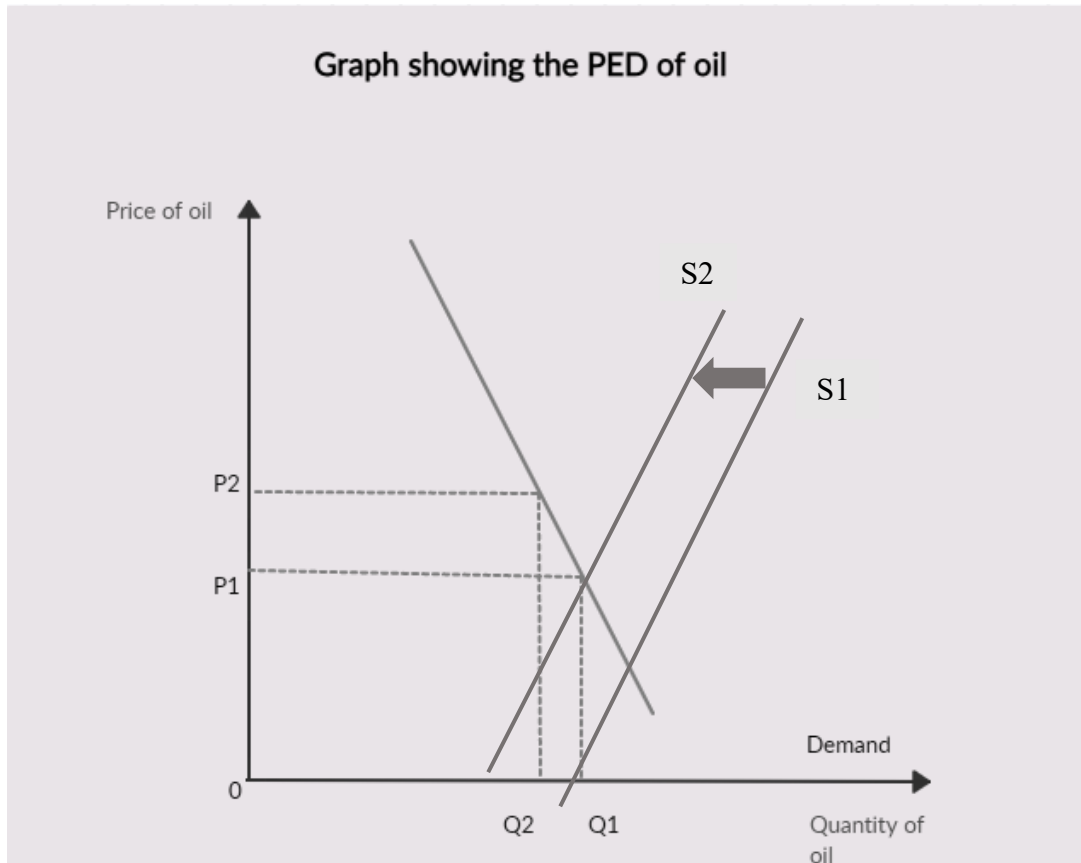
Figure 1



Nevertheless, as stated in the article, a force majeure was lifted on an oilfield in Sharara, resulting in an increase in production and therefore in an increase in supply of oil. Although supply drops are not a viable option, as Giovanni Staunovo says, „It is all about ending production disruptions“, with the current demand being much lower than usual, the sudden return to the original production of oil would cause excess supply in the oil market, which would mean factors of production are not being used efficiently. Furthermore, Libya's increase in oil production caused problems for the members of OPEC and Russia, because as previously mentioned, their target is to lower the supply. As all the countries, importing or exporting oil are **interdependent**, the increase in supply of oil by Libya will cause problems for the countries exporting oil. It would therefore be ideal to include Libya in a deal, ensuring they will limit their oil production, if oil demand recovery continues to struggle to ensure that they will be able to control the price.

On the other hand, the shortage of oil is discussed as well with regards to the production disruptions in multiple countries. The labor strikes, along with the natural disaster, Hurricane Delta in the USA and restrictions related with COVID had all caused the decrease in oil production and therefore caused a shortage. As the demand for oil is worldwide, the countries are all **interdependent** on each other regarding oil supply. The shortage of oil is a problem, as it causes prices to rise. As oil is a necessity, its PED is inelastic and changes in price won't affect the demand by much. Although very advantageous for countries, which produce oil such as Norway and the USA, this would mean that countries which import oil would have to pay a still relatively high price for a small change in quantity, which is very disadvantageous for countries, which import large quantities of oil. As seen on the following graph, the change from Q1 to Q2 is smaller than the change from P1 to P2. The graph shows, that countries importing would have to pay price P2, if they would want to maintain steady imports of oil.

Figure 2



As the global oil market is **interdependent**, countries exporting oil would also suffer, as their losses in revenue would be equal to $(Q1 \times P1) - (Q2 \times P2)$. Therefore, it is desirable for both parties to maintain the production outputs. As mentioned by Giovanni Staunovo, the solution is in ending production disruptions. Nevertheless, the disruption in oil production was in most cases caused by natural disasters (non-price determinant), as seen on Graph 2. In the case of the drop of price of the Brude crude and West Texas Intermediate, both were caused by the Hurricane Delta and by stricter restrictions regarding COVID. Right now, the global pandemic is causing stricter restrictions, causing further disruption oil production. For the production level to remain same, workers should be allowed into workplace to maintain the production level.

The OPEC and Russia are certainly trying to deal with the current situation in a sustainable way. The cut in supply by all the countries would help get closer to allocative efficiency and deal with the excess supply and achieve fairness in such a deal. Nevertheless, due to the COVID restrictions and other production disruptions, the supply of oil produced in the USA and Norway has decreased, causing shortage. Both governments have not dealt with the situation ideally, as production disruption will cause high prices, which will hurt both importers and exporters.

Appendix 4 – L1 English Sample Text (20A)

Oil prices fell on Monday as force majeure at Libya's largest oilfield was lifted, a Norwegian strike affecting production ended and U.S. producers began restoring output after Hurricane Delta.

Brent crude fell 52 cents, or 1.2%, to \$42.33 a barrel by 1052 GMT and U.S. West Texas Intermediate was down 58 cents, or 1.4%, at \$40.02.

"It's all about ending production disruptions ... (which) are not helpful in a period with ongoing demand concerns," said UBS oil analyst Giovanni Staunovo

Production in Libya, a member of the Organization of the Petroleum Exporting Countries (OPEC), is expected to rise to 355,000 barrels per day (bpd) after force majeure at the Sharara oilfield was lifted on Sunday.

Rising Libyan output will pose a challenge to OPEC+ - a group comprising OPEC and allies including Russia - and its efforts to curb supply to support prices.

"If oil demand recovery continues to struggle due to new or stricter COVID-related mitigation measures, the (OPEC+) producer group may need to reconsider the planned tapering of their voluntary supply cuts," said BNP Paribas analyst Harry Tchilinguirian.

Front-month prices for both contracts gained more than 9% last week in the biggest weekly rise for Brent since June. But both fell on Friday after Norwegian oil companies struck a deal with labour union officials to end a strike that had threatened to cut the country's oil and gas output by close to 25%.

Hurricane Delta, which dealt the greatest blow to U.S. Gulf of Mexico energy production in 15 years, was downgraded to a post-tropical cyclone at the weekend.

Workers headed back to production platforms on Sunday and French oil major Total was working to restart its 225,500 barrel per day Port Arthur refinery in Texas.

Prices were also pressured by a jump in new COVID-19 cases, which has raised the spectre of more lockdowns.

Infections are at record levels in the U.S. Midwest and in Britain Prime Minister Boris Johnson is expected to announce new measures on Monday while Italy is preparing fresh nationwide restrictions.

Goldman Sachs, meanwhile, said that the outcome of the U.S. presidential election would not impact its bullish oil and natural gas outlook and that an overwhelming Democratic victory could be a positive catalyst for these sectors.

Appendix 5 – Text Inspector’s Print-Screens for EVP (10A)

