

**Part I Reading Comprehension (Total: 50 points)**

1. In real estate, the party has gone on too long. As Nicholas Lardy of the Peterson Institute for International Economics points out, inflation in China is outstripping the one-year savings deposit rate of 3.5 percent. That prompted many Chinese to pour parts of their savings into apartments. Already, 9 percent of economic output comes from residential housing investment. It was 3.4 percent in 2003. With the building boom well underway, supply is finally outstripping demand. The unsold inventory of apartments has gone from zero last summer to about three months' worth now, according to Standard Chartered Bank. If apartment prices fall steeply, ordinary Chinese could lose their savings, and local governments will be unable to pay off the loans they took out to invest in residential and commercial projects.

Fitch, which in June publish an essay on what slow growth in China would do to the word, says China's key trading partners in the Asia-Pacific region would be most affected. If China grew only 4 percent in 2012, says the Fitch report, a sharp drop in commodity exports to China would hurt the Australian dollar, which in turn would force interest rates up, which would finally hurt the overheated housing market.

If the Chinese government had to recapitalize its banks and pump up public works, says Fitch Managing Director, Tony Stringer, the budget strain might compel the Chinese to buy far fewer U.S. Treasuries. The U.S. would have to offer higher rates on its bonds to attract other buyers, which would drive up the cost of servicing U.S. debt. The U.S., however, would benefit from the drop in commodities prices, especially for oil, as China's appetite slackens. (Source: Global Economics Preparing for the (Possible) China Crash, *Business Week*, July 18 – July 24, 2011.)

After reading the above paragraphs, please answer the following questions:

- (1) (3 points) Which of the followings is closest to the meaning of "outstripping" used in the above paragraphs?
  - a) Fall behind
  - b) Outperforming
  - c) Exceeding
  - d) Superseding
- (2) (3 points) Which of the followings is closest to the meaning of "slacken" used in the above paragraphs?
  - a) Loosen
  - b) Tighten
  - c) Improve
  - d) Deteriorate
- (3) (3 points) Many Chinese purchases apartments with their savings because
  - a) Drop in apartment prices
  - b) Inflation
  - c) Low interest rate on bank loans
  - d) A real estate reversal
- (4) (3 points) Which of the following countries would be least affected if a crash or slow down occurs to China?
  - a) The United States of America
  - b) Australia
  - c) France
  - d) Korea
- (5) (4 points) U.S. Treasuries are generally perceived as securities with

- a) High risks and high interest rates
- b) High risks and low interest rates
- c) Low risk sand high interest rates
- d) Low risks and low interest rates

2. In 2010, close to 80 percent of the labels' \$2 billion in digital revenue in the U.S. came from the sale of tracks and albums, or, more simply put, iTunes. This is the same basic transaction as with an Edison cylinder: Give us your money once and you may have our sound forever. In Sweden, album and track sales together provide only 20 percent of the country's \$38 million in digital revenue; 60 percent comes from streaming. Privately, industry executives say the streaming is all Spotify. You can buy albums for keeps from within the service. But paid downloads increased 28 percent in Sweden the year Spotify launched. But the revenue isn't catching up to on-demand streams. In Stockholm, no one brings a laptop or a hard drive to a party anymore. They just log in to Spotify. Americans own their music; Swedes rent it. For 100 years the recording industry has traded on durable good for another, and the need to store it all has defined habits, courting, and home design. In Sweden, this era is slipping away.

For Universal in Sweden, Bon Jovi's *Greatest Hits* sold 25 physical or digital albums for every album-length play on Spotify. For Lady Gaga's latest recording, that ratio drops to three sales for every Spotify play. For Taio Cruz, the Bon Jovi ratio has inverted: 4.5 Spotify album plays for every album sold. ("I showed this to the manager of Taio," says Sundin. "He loved this.") If you don't know who Taio Cruz is, that's precisely the point: It's the kids, formerly the most likely to steal, who are most likely to use Spotify. It brought them in from the cold. (Source: You Can't Work in Music, *Business Week*, July 18 – July 24, 2011.)

After reading the above paragraphs, please answer the following questions:

- (1) (3 points) Which of the followings is closest to the meaning of "stream" used in the above paragraphs?
  - a) Flow
  - b) Download
  - c) Click
  - d) Browse
- (2) (3 points) Which of the followings is closest to the meaning of "launch" used in the above paragraphs?
  - a) Go public
  - b) Install
  - c) Reveal
  - d) Inaugurate
- (3) (4 points) Which of the followings could be an issue over which Americans and Swedes have conflicting views?
  - a) File sharing
  - b) Profit sharing
  - c) Copyright
  - d) Patent
- (4) (3 points) Which of the following singers makes the biggest sales of his/her single album according to above paragraphs?
  - a) Bon Jovi
  - b) Lady Gaga
  - c) Taio Cruz
  - d) Cannot be determined from the paragraphs above

- (5) (3 points) Assuming every album-length play on Spotify is the input, and every album sold is the output, which of the followings generates the highest productivity?

- a) Bon Jovi
- b) Lady Gaga
- c) Taio Cruz
- d) Cannot be determined from the paragraphs above

3. If Merkel were to try to save southern Europe the way Kohl saved the East, her task would be no less arduous and only somewhat less expensive than his. To relieve the market's fears about Greece and the other fiscally feeble euro zone countries would require the EU to pledge more than \$400 billion in potential aid, according to a report by French bank BNP Paribas. Germany would not have to pay all of that, but its share would be bigger than any other country's if such a rescue occurred.

If Germany still had its old currency, the deutsche mark would doubtless be stronger than it is now, crimping its competitiveness against other European states. So inside Europe, Germany is in effect working with a currency that is undervalued and thus supercompetitive. Last year, Germany's surplus on its current account – the broadest measure of goods and services – was 5% of GDP.

For Germany to lead Europe out of its slump would require heavier deficit spending to stimulate the country's economy and suck in imports. Merkel's government expects the budget deficit to swell to 5.5% of GDP this year, almost double the 3% ceiling technically required of euro zone members. Although Germany could easily afford a spurt of further stimulus given its rock-solid AAA rating, Merkel has been heading in the other direction, seeking greater fiscal probity. (Source: Germany's Merkel: She's Got the Whole Euro in Her Hands, *Business Week*, March 1, 2010.)

After reading the above paragraphs, please answer the following questions:

- (1) (3 points) Which of the followings is closest to the meaning of "arduous" used in the above paragraphs?
- a) Difficult
  - b) Busy
  - c) Important
  - d) None of above
- (2) (3 points) Which of the followings is closest to the meaning of "probity" used in the above paragraphs?
- a) Immorality
  - b) Wickedness
  - c) Correctness
  - d) None of above
- (3) (4 points) Which of the followings is not perceived as one of the southern European countries?
- a) Portugal
  - b) Turkey
  - c) Italy
  - d) None of above
- (4) (4 points) Which of the followings is similar to Germany in terms of its currency?
- a) China
  - b) Australia
  - c) The United States of America
  - d) None of above

- (5) (4 points) Which of the followings is considered a potential approach to ease the pressure on the indebted European countries?
- a) Raising workers' pay in these European countries
  - b) Inflating the currencies of these European countries
  - c) Generating more imports from Germany to these European countries in order to have more balanced trade
  - d) None of above

## Part II Synonyms (Total: 50 points)

Questions (1)-(25) are based on the following article "Beef, China and TPP are all linked". Please choose the answer having the same or nearly the same meaning as the word with alphabetical number and underline. You will get 2 points for each correctly answered question.

(paragraph 1)

Last year Taiwan expressed an interest in joining the Trans-Pacific Partnership (TPP) at the APEC summit in Honolulu. Since then, there has been little public reaction from the TPP's nine members. That was until last week, when American Institute in Taiwan (AIT) Chairman Raymond Burghardt openly commented on Taiwan's TPP (1) accession, and linked this issue with the trade dispute over Taiwan's ban on US beef as well as the (2) suspension of the Trade and Investment Framework Agreement (TIFA) talks between the two countries. These comments revealed part of the US' TPP strategy toward Taiwan: Taiwan's accession (3) hinges on whether it can be "serious about trade liberalization" and the US beef issue will be one of the critical criteria to test Taiwan's sincerity in opening markets and joining the TPP.

(paragraph 2)

It should not come as a surprise that the US uses TPP accession as a bargaining chip in exchange for Taiwan (4) backing down on the beef issue and the (5) resumption of the TIFA negotiations, since bilateral and multilateral trade negotiations are (6) intertwined and many countries join the TPP for various economic, geopolitical and domestic reasons. For existing TPP members, the decision to accept new members is used to place pressure on their non-TPP trading partners, to (7) facilitate stalled bilateral trade negotiations, or to request further economic concessions.

(paragraph 3)

For example, when Japan announced its intent to join the TPP, members with huge agricultural export sectors, such as the US, Australia and New Zealand, were eager to take the TPP negotiations as an opportunity to force Japan to make substantial (8) concessions on opening its agricultural markets, something that had been a major obstacle in these countries' individual bilateral free-trade agreement (FTA) negotiations with Japan. In other words, some countries join the TPP negotiations to (9) boost their economic position and bargaining power. By joining the TPP, Vietnam intends to promote a US-Vietnam FTA and to seek US recognition of Vietnam as a market economy. For other countries, like Australia, in addition to expecting moderate economic advantage from membership, the major (10) impetus to join the TPP is driven by the strategic consideration of keeping the US engaged in East Asia.

(paragraph 4)

Similarly, the Philippines, which has (11) explicitly expressed its intent to join the TPP, wants to use it to strengthen its strategic alliance with the US to balance China's assertiveness in the South China Sea. Interestingly,

according to some Japanese academics, Japan also sees the TPP as a step toward lessening its economic dependence on China. Japan's TPP involvement could further consolidate the US-Japan security alliance.

(paragraph 5)

Some countries also regard the TPP as a window of opportunity to (12) launch vital domestic economic reform and to overhaul uncompetitive industries. For instance, the leadership in Vietnam aims to employ the TPP to boost domestic economic reform and restructure its state-owned enterprises. Likewise, some Japanese policymakers consider TPP accession a critical opportunity to (13) revamp Japan's long inefficient agricultural sector and readjust its industrial strategy.

(paragraph 6)

In short, the complexity of the TPP cannot be fully understood from a single economic perspective, but needs to be evaluated from a range of geopolitical, economic and domestic factors. Once this is understood it is easy to see that Taiwan's TPP accession will inevitably encounter multiple significant challenges. The first massive challenge comes from Taiwan's imbalanced economic structure and the adverse impact accession would have on Taiwan's (14) vulnerable sectors.

(paragraph 7)

Taiwan's overwhelmingly export-led economy makes its participation in regional economic integration (15) imperative. Nevertheless, the TPP, which the US has pledged will be a "high standard, high quality" FTA, aims to (16) slash most tariffs to zero and liberalize the agricultural sector. The consequent regulatory changes will have a severe impact on Taiwan's weaker industries, especially the agricultural sector. Not only access to the beef market, but rice and other agricultural products will be placed on the TPP negotiation table. Whether the Taiwanese government has sufficient political will and is well prepared to deal with these impacts is questionable.

From a geopolitical perspective, joining the TPP can improve Taiwan's overall position in regional economic integration, lessen its economic overdependence on China, break its marginalization in East Asia and strengthen its economic ties with major economies in the Asia-Pacific.

(paragraph 8)

However, Taiwan's TPP maneuverings may upset China, since the negotiation of the Economic Cooperation Framework Agreement (ECFA) is ongoing and Taiwan's TPP (17) initiative may be viewed by China as fence-straddling. Furthermore, given China's (18) ambivalent attitude toward the TPP and that some Chinese officials and academics consider the TPP to be a (19) provocative US strategy to challenge China's leading role in East Asia, Taiwan's accession could irritate Beijing and lead to it ending its economic (20) conciliation toward Taiwan. Even if China regarded the TPP as an (21) innocuous initiative aimed at (22) accelerating regional integration, based on past experience, it is highly questionable if Beijing would allow Taiwan to enter TPP negotiations before China.

(paragraph 9)

Despite these challenges, Taiwan's participation in the TPP could bring more benefits than drawbacks in the long term. Nevertheless, there are critical obstacles Taiwan must overcome before it can be accepted into the TPP. Domestically, the Taiwanese government has to launch a (23) comprehensive review of each industrial sector that might be affected by the TPP. In addition, it needs to formulate a mid to long-term economic strategy to (24) overhaul the economy and reduce negative impacts on vulnerable sectors. Additionally, whether Taiwan can join the TPP, to some extent, may depend on its associated ongoing bilateral trade negotiations. This is why US beef, the TIFA and the TPP are all linked. To use Taiwan's leverage on bilateral and multilateral fronts and to make progress on both fronts simultaneously will test the skill of Taiwan's trade negotiators.

(paragraph 10)

Last but not least of the critical challenges is to obtain China's understanding that Taiwan's decision to join the TPP is driven by the need to maintain its economic survival and to maximize economic prosperity, to convince China that TPP accession will not undermine continuing robust economic exchanges across the Taiwan Strait and that it certainly does not carry any geopolitical implications (25) detrimental to China. (Source: Beef, China and TPP are all linked, *Taipei Times*, Feb 10, 2012)

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|---------------------|---|
| (1) accession       | (a) withdrawal (b) addition (c) exclusion (d) right           |
| (2) suspension      | (a) operation (b) renewal (c) discontinuation (d) beginning   |
| (3) hinges          | (a) controls (b) begins (c) ends (d) depends                  |
| (4) backing down on | (a) giving up (b) challenging (c) overcoming (d) reaching     |
| (5) resumption      | (a) retreat (b) reaction (c) reflection (d) reopening         |
| (6) intertwined     | (a) excluded (b) twisted (c) separated (d) unbraided          |
| (7) facilitate      | (a) hinder (b) benefit (c) expedite (d) check                 |
| (8) concession      | (a) confession (b) resistance (c) surrender (d) confession    |
| (9) boost           | (a) foster (b) halt (c) undermine (d) solve                   |
| (10) impetus        | (a) deterrent (b) diversion (c) strategy (d) stimulus         |
| (11) explicitly     | (a) clearly (b) indefinitely (c) cautiously (d) wishfully     |
| (12) launch         | (a) complete (b) yield (c) activate (d) gather                |
| (13) revamp         | (a) restrain (b) renovate (c) return (d) regulate             |
| (14) vulnerable     | (a) protected (b) independent (c) mature (d) weak             |
| (15) imperative     | (a) crucial (b) trivial (c) optional (d) voluntary            |
| (16) slash          | (a) wear away (b) chop (c) deteriorate (d) decompose          |
| (17) initiative     | (a) action (b) protection (c) support (d) resistance          |
| (18) ambivalent     | (a) unequivocal (b) resolved (c) bold (d) equivocal           |
| (19) provocative    | (a) pleasant (b) attractive (c) disturbing (d) suppressive    |
| (20) conciliation   | (a) satisfaction (b) mediation (c) fulfillment (d) reparation |
| (21) innocuous      | (a) advantageous (b) destructive (c) harmless (d) intelligent |
| (22) accelerating   | (a) inspiring (b) expediting (c) retarding (d) assisting      |
| (23) comprehensive  | (a) specific (b) comfortable (c) all-embracing (d) exclusive  |
| (24) overhaul       | (a) ameliorate (b) aid (c) explore (c) repair                 |
| (25) detrimental    | (a) damaging (b) beneficial (c) benevolent (d) inoffensive    |