CORNELL UNIVERSITY

FINAL EXAM, SPRING 2024

SUSTAINABLE FINANCE: SOUTHEAST ASIA AND GLOBAL PERSPECTIVES

PUBPOL 3615/PADM 5615

**QUESTION 1 (25 POINTS)**

The Malaysian Ministry of Investment, Trade and Industry is considering a proposal for a one-time subsidy to increase electric vehicle (EV) ownership in the domestic market.

1. Using the functions of government framework, argue whether this proposed government intervention is justified.
2. Given the government’s budget constraints, explain why a utilitarian policy maker would prefer providing free EV charging stations over subsidizing personal EVs.
3. Suppose the EV charging stations and personal EVs are supplied by two different companies, and both are listed on the Malaysia stock exchange. Relative to each other, will their stock prices exhibit high positive, low positive, zero, low negative, or high negative covariances? Why?

**QUESTION 2 (25 POINTS)**

The Thai government is planning to introduce a carbon tax in the energy, transport, and industry sectors to encourage businesses and consumers to reduce emissions.

1. Will a carbon tax bolster “economic growth” in Thailand, or will it instead push the country towards the “uneconomic growth” stage? Explain.
2. Among the criteria for evaluating a tax policy are (i) equity implications and (ii) the adequacy of government revenue it generates. In the context of Thailand, evaluate the carbon tax using these two criteria, respectively.

**QUESTION 3 (25 POINTS)**

Green bonds issuance has seen an increasing trend in Vietnam, and it can be ascribed to the active involvement of not only the government but also private entities.

1. Are coupon rates for *green* *corporate bonds* typically higher or lower than those of *conventional corporate bonds*? Provide a numerical example within the context of Vietnam for illustration.
2. Argue for the notion that green bonds issuance serves as a means for private entities to engage in greenwashing.
3. Provide the counterargument to the notion that green bonds issuance serves as a means for private entities to engage in greenwashing.

**QUESTION 4 (25 POINTS)**

The increasing adoption of Environmental, Social, and Governance (ESG) ratings in the Singaporean capital market is attributable in part to the availability of a code of conduct. Applicable to providers of ESG ratings, this code was formulated by the government in consultation with industry stakeholders.

1. Can the provision of the code be classified as a financial derisking policy? Why or why not?
2. Rating agencies are typically paid by issuers despite the potential conflict of interests. Considering the political-bureaucratic relations in Singapore, would this issue be resolved by having the Singaporean government as the exclusive rater instead? Explain your reasoning.
3. Some scholars have warned of the potential for ends-means reversal in efforts to achieve climate goals. Discuss how the same concern could apply to the development of ESG ratings across Southeast Asian countries.