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Rewarding Learning

Centre Number

Candidate Number

General Certificate of Secondary Education
2017

Economics

Paper 1

G9271

[G9271]
MONDAY 5 JUNE, AFTERNOON

TIME

1 hour 15 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.
You should write your report in the spaces provided in this question and answer booklet. If you do not have enough space to complete your answer, extra lined pages are provided at the back of the booklet.

INFORMATION FOR CANDIDATES

The total mark for this paper is 60.
The task and marking criteria are described on page 2.
Your quality of written communication will be taken into account in assessing your report.
This paper is accompanied by a Case Study.

ADVICE TO CANDIDATES

You are advised to spend at least 10 minutes:
- Reading the task
- Reading through the Case Study
- Identifying parts of the Case Study that you might use in writing your report.

Writing your report should take about one hour. You may include diagrams where appropriate.

For Examiner's use only	
Question Number	Marks
AO1	
AO2	
AO3	
Total Marks	

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The Task
As an economics student, you have studied information about globalisation and how foreign aid and trade affect economic development. You have been asked to write a report on this topic for your school magazine.

Using the Case Study, any other relevant information you have studied and your own knowledge and understanding of economics, write a report which clearly explains the main economic issues facing developing countries in a more globalised market.

In your report, you should:
1. Give a brief introduction setting out what your report is about.
2. Describe the trends in the annual percentage change in GDP of less developed countries between 2011 and 2013 and contrast this with developed countries.
3. Using examples, compare the main features of a less developed economy with a developed economy.
4. Discuss how the UK helps the economic development of less developed countries.
5. Analyse how countries may benefit from the removal of trade barriers and the opening up of global trade.
6. Discuss whether developed countries should use international trade or aid to help developing countries to achieve sustainable economic development.

Assessment
Your report will be assessed on your ability to:
- Recall, select and communicate your knowledge and understanding of economic concepts, issues and terminology **(15 marks)**;
- Apply economic skills, knowledge and understanding **(18 marks)**; and
- Analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions **(27 marks)**.

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Start your report on this page.

Examiner Only	
Marks	Remark

Report on the challenges facing less developed countries in a global market

1. Introduction

2. Changes in the annual percentage GDP of less developed and developed countries between 2011 and 2013.

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3. **Comparison of the main features of a less developed economy and a developed economy.**

Examiner Only	
Marks	Remark

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Marks	Remark

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4. Discuss how the UK helps the economic development of less developed countries.

Examiner Only	
Marks	Remark

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Examiner Only	
Marks	Remark

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5. **Analyse how countries may benefit from the removal of trade barriers and the opening up of global trade.**

Examiner Only	
Marks	Remark

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Examiner Only	
Marks	Remark

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6. **Discussion of whether developed countries should use international trade or aid to help developing countries achieve sustainable economic development.**

Examiner Only	
Marks	Remark

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Examiner Only	
Marks	Remark

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Continuation page (use this page if you need more space to complete your report). Number your answers clearly.

Examiner Only	
Marks	Remark

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Continuation page (use this page if you need more space to complete your report). Number your answers clearly.

Examiner Only	
Marks	Remark

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THIS IS THE END OF THE QUESTION PAPER

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Rewarding Learning

General Certificate of Secondary Education
2017

Economics

Case Study
for use with Paper 1
The Challenges Facing Developing Countries
in a Global Market

G9271

[G9271]
MONDAY 5 JUNE, AFTERNOON

You must use **this** clean copy of the Case Study in the examination and not your own annotated copy.

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Introduction

In September 2015, world leaders met at the United Nations (UN) in New York to agree ambitious anti-poverty targets to be met by 2030. These targets are the new Sustainable Development Goals (SDGs) that will replace the Millennium Development Goals (MDGs) that guided aid spending and public policy since 2000. The emphasis on sustainable economic development recognises that economic growth needs to be achieved in a way that helps countries to make economic progress without damaging the supply of natural resources or the environment for future generations.

The UN reported that the MDGs had a significant impact on improving the lives of many people in poorer countries. For example, global poverty is reduced, more children attend primary school and there are huge improvements in health indicators. But there is still a long way to go to help the poorest countries in the world achieve a higher level of sustainable development.

Some individual developing countries have done particularly well and are now known as Newly Industrialised Countries (NICs) rather than being grouped together in a broad category of "developing economies". Typical in this group are countries such as Brazil, Russia, India, China and South Africa, the so-called BRICS that have benefited from industrialisation and globalisation.

Governments and organisations such as the World Trade Organisation (WTO) want to learn more about the factors that affect the economies of the poorest countries so that policies can be more effective. Promoting international trade and giving aid are still considered the most relevant approaches to stimulate economic growth and development, but there are advantages and disadvantages associated with each approach.

Adapted from © Millennium Development Goals Report 2014. Published by The United Nations, 07/07/14. 2 and © Global goals summit: from the pope to Shakira, everything you need to know by Clár Ní Chonghaile. Published by The Guardian, 18/09/15.

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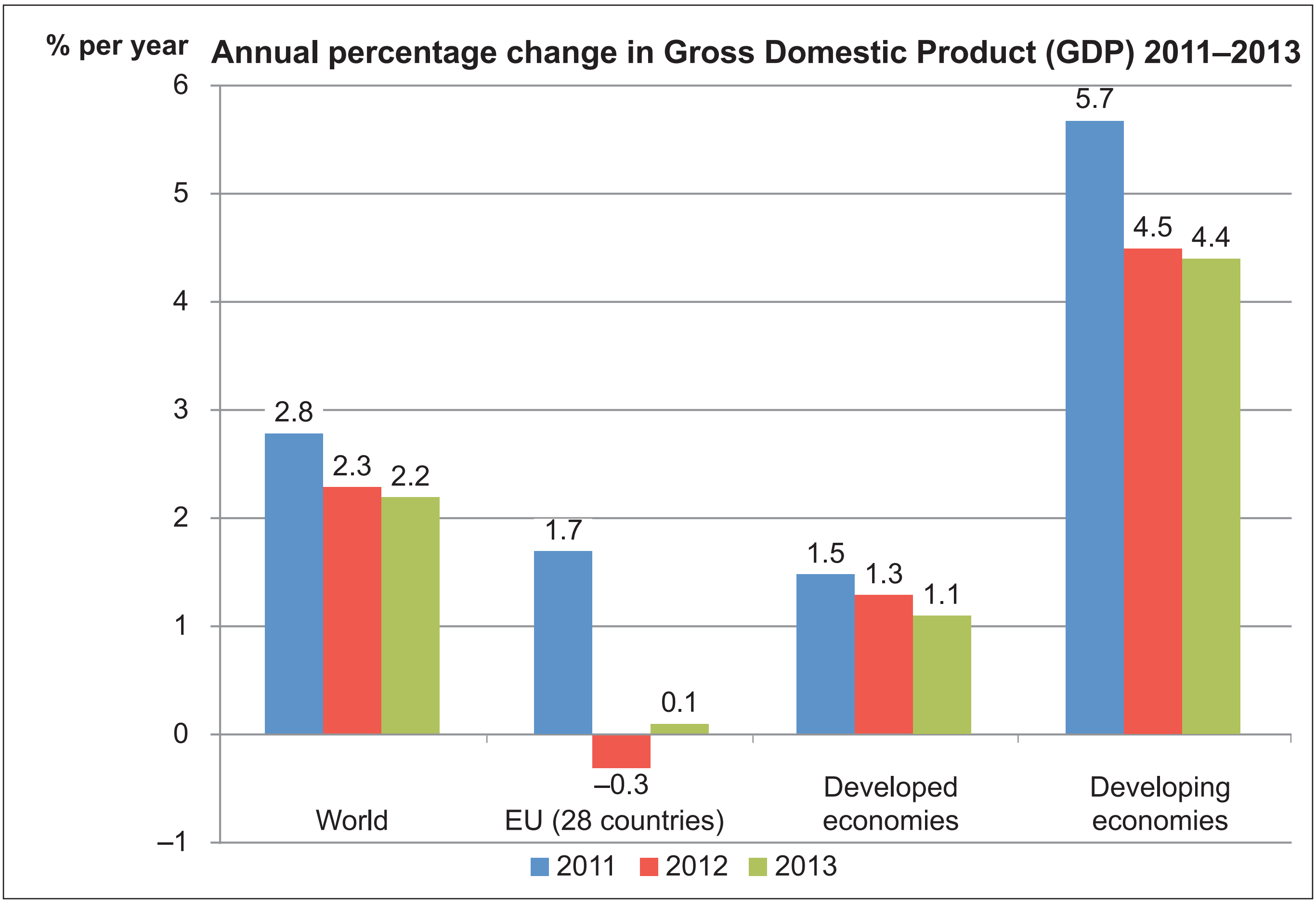
Source 1: Economic growth – comparing developed and developing countries

The WTO has reported a dramatic spurt of growth in developing countries. In the 1990s, the growth in average income was 1.5 per cent per year but since 2000, this has increased to 4.7 per cent each year. Over the same period, the average growth of per capita income in developed economies has been 0.9%.

The gap between rich and poor countries has narrowed slightly, but there is still a long way to go. The average income per person in the least developed countries is still only 4% of the average for developed economies.



Adapted from © World Trade Report 2014. Published by World Trade Organization, 2014.

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Source 2: Economic development – selected country comparisons

Indicators for selected countries	India	Malawi	China	UK
Demographic profile (rounded to nearest whole number)				
Population in 2014 (millions)	1267	17	1394	64
Life expectancy at birth (2014)	68	63	76	81
Mortality rates per 1000 (under 5 years) 2012	53	68	13	5
Deaths of children due to outdoor air pollution (per 100 000 aged under 5)	5	3	2	0
Economic profile				
Gross National Income per person (2014) US $	5497	747	12 547	39 267
% of population in severe poverty (2014)	24	72	6	N/A
Agriculture and other primary activities % share of GDP (2013)	17	32	10	1
Education profile				
Average number of years that children attend school (based on 2002–2013)	12	11	13	16
% population aged 25 and over with some secondary education (2014)	42	16.3	65	100
Health profile				
Number of doctors per 10 000 (based on 2002–2013)	7	0.2	14.6	27.9
Health expenditure (% of GDP) 2013	4	8.3	5.6	9.1
International Trade profile				
Visible trade: % of total exports (2014)				
Manufactured goods	55%	16%	94%	70%

Adapted from © Human Development Report 2015 Country Profiles. Published by United Nations Development Programme. Licenced under: https://creativecommons.org/licenses/by/3.0/igo/

Source 3: UK government policy and foreign aid

In 2015, the UK became one of only five countries in the world to give 0.7% of Gross National Income (GNI) in foreign aid. The UK has also made this level of spending part of a legal commitment to support international development. In 2015, this was £12 billion of taxpayer's money – 7 pence out of every £10 that the government spent. At a time of austerity, not everyone is happy about this level of commitment.

There is widespread agreement that aid is essential to tackle the gap between rich and poor countries. However, some critics argue that the UK government uses aid to pursue other objectives such as fighting international terrorism and gaining power in resource-rich countries.

UK aid is often delivered through partner profit making companies. In 2011–12, the Department for International Development (DfID) awarded 135 contracts (worth an estimated total of £500 million) to 58 firms. One initiative involved giving £1.9 million to some well-known UK supermarkets to encourage them to stock more African products.

Adapted from © What should the UK do about foreign aid? By Prof Henrietta Moore, University College London. Published by the BBC, 20 March 2015

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Source 4: Key facts about the UK's aid spending

Approximately 60% of the aid budget goes on bilateral aid – that is aid to specific countries. **Table 1** shows the 10 countries in rank order that received most aid from the UK in 2013. This bilateral aid was used to fund health, education, humanitarian relief, and build economic infrastructure and services.

Table 1 – Bilateral UK aid

Top 10 countries (2013)	
Pakistan	£340 million
Ethiopia	£335 million
Bangladesh	£250 million
India	£250 million
Nigeria	£240 million
Afghanistan	£200 million
DR Congo	£150 million
Kenya	£150 million
Tanzania	£140 million
Syria	£130 million

The remaining aid budget, approximately 40%, goes on multilateral aid. This is aid that is given to organisations and those that received most UK aid in 2013 were:

- European Union
- World Bank
- Global Fund to fight AIDS, Tuberculosis and Malaria
- Global Alliance for Vaccines and Immunisation
- Clean Technology Fund.

© Statistics on International Development 2014 by Department for International Development, 2014.
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Source 5: UK criticised over how it spends foreign aid

An investigation by the Tax Payers' Alliance has questioned how the UK's foreign aid budget is spent. Multilateral aid, given through the EU to the European Development Fund (EDF), is described as inefficient and wasteful. They say that it is often unclear exactly how this aid is being spent.

Along with genuinely worthy projects, officials at the EDF have approved thousands of pounds of spending on a range of projects that do not appear to have economic development as their aim. Even when projects are potentially useful, they don't always get delivered: a Caribbean island received almost £400m in British foreign aid but still does not have the permanent hospital that the money was supposed to build.

This poor record appears to support an argument for trade not aid as the only longer term way to guarantee sustainable economic progress across the developing world.

Adapted from © Britain spends on foreign aid like a drunk at closing time by Jonathan Isaby. Published 20/07/15 by Telegraph Media Group Limited.

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Source 6: Can countries trade their way out of poverty?

The problems facing sugar producers in the African, Caribbean and Pacific (ACP) countries provide a good example of the challenges that many small agricultural-based countries face.

Many ACP countries were given more favourable treatment when the UK joined the EU as many had been former colonies. For example, under the EU's Common Agricultural Policy (CAP) quotas were placed on the output of sugar beet that EU farmers could produce so that they would not over produce and flood the market.

The EU's limit on its own production of sugar has helped these countries to compete. However, as part of the reforms of the EU's CAP, this protection will come to an end in 2017 as quotas on sugar beet production within the EU will be lifted. It is expected that this change in policy will affect 200 000 poor people in ACP countries by 2020.

This change in EU policy comes at a time when world sugar prices have fallen. Sugar, like many other commodities, is susceptible to changes in market forces and with the WTO encouraging the removal of trade barriers, many smaller countries face stiff competition to survive in a world market.

To highlight the problems facing poor countries, the Fairtrade Foundation has launched a new campaign asking the Prime Minister to make trade fairer. They report that the combination of EU reforms and a slump in world sugar prices threaten the survival of many small farmers and their families in developing countries who depend on the EU market.

Source 7: More open global markets don't benefit all countries equally

Globalisation is having an important impact on less developed countries. Reductions in global trade barriers have opened up markets allowing greater opportunities for countries to exploit comparative advantage and to benefit from specialisation and exchange.

Developed and developing countries now depend more heavily on one another for their economic survival. Developing countries gain access to technology and investment while developed countries gain raw materials and markets for their manufactured goods.

Supporters of globalisation point to China and India to show its success, while critics argue that poorer countries gain very little if they are not in a position to benefit from the new opportunities. For example, many poorer countries lack the infrastructure such as roads and agricultural storage facilities that would help them to exploit market opportunities.

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Source 8: Sustainable Development – new goals

The new SDGs include important trade goals. These aim to end unfair trade rules that make it difficult for small farmers to compete in some markets. Many poorer countries are making economic progress but there are many factors that affect their ability to grow and develop in a sustainable way.

It is challenging for everyone, in both rich and poor countries, to live sustainably on the earth and make the most efficient use of finite resources. Sustainable economic development is now promoted by international development policies instead of rapid economic growth and development.

There are still over one billion people in the world trying to survive on less than $1.25 per day. Aid is needed to help alleviate this severe poverty and to help the poorest countries to compete in a global market and benefit from sustainable development.

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