

General Certificate of Education
June 2005
Advanced Level Examination



ECONOMICS **EC4W**
Unit 4 Working as an Economist: The European Union

Tuesday 14 June 2005 Morning Session

In addition to this paper you will require:

an 8-page answer book.
You may use a calculator.

Time allowed: 1 hour 40 minutes

Instructions

- Use blue or black ink or ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is EC4W.
- Answer the compulsory question.
- **At the very start of the examination**, tear along the perforations in order to detach the question on page 2 from the extracts.
- **The extracts** are printed on pages 3, 4, 5, 6 and 7, which can be unfolded.

Information

- The maximum mark for this paper is 84. This includes up to 4 marks for Quality of Written Communication.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

Advice

- You are advised to spend the first 20 minutes reading the Case Study.

Answer the compulsory question.

You may detach this page by tearing along the perforations.

Case Study:

THE EUROPEAN UNION

You are advised to spend the first 20 minutes thoroughly reading the Case Study before writing the report. The instructions below set the scene of the Case Study and explain what you should include in your report. The whole report will be marked out of 84, including 4 marks for Quality of Written Communication.

Setting the scene

As an economist, you have been asked to present a report to EU ministers for economic development, assessing the economic impact of investment in transport links. You have been asked to pay special attention to the importance of Trans-European Networks (TENs) for the development of the Single European Market (SEM) following the enlargement of the EU, which took place on 1 May 2004.

When writing your report, you should make use of the information in **Extracts A, B, C, D, E, F and G**, together with any other relevant knowledge you possess.

Requirements of the report

You are to write a report entitled: 'The importance of transport links across Europe'.

Your report should:

- explain why transport is important for the Single European Market;
- discuss the possible macroeconomic benefits of investment in Trans-European Networks (TENs);
- identify and assess possible social costs of TENs;
- make recommendations, with reasons, as to whether TENs investment should go ahead.

Use economic concepts and principles where appropriate. You will be given credit for demonstrating your ability to analyse, comment critically on, and make effective use of, the data provided. *(84 marks)*

Extract A: Brussels delivers ambitious blueprint to unify new and old Europe by highway, rail and sea

A spending spree of €220 billion (£155 billion) to improve transport links across Europe was announced yesterday.	1
High-speed rail connections, a global satellite-navigation system and ‘motorways of the sea’ formed the centrepiece of ambitious European Commission proposals announced by the president, Romano Prodi.	5
Four new British projects are included in the plans, which are designed to breathe life into the EU’s long-standing ambitions to forge road and rail links across the continent. The Channel Tunnel high-speed rail link and the west coast main line have already benefited from the Trans-European Networks (‘TENS’) project, as has the Oresund bridge which now links Sweden and Denmark.	10
With 10 new members in the EU following enlargement on 1 May 2004, the plan would build and upgrade a host of transport links, opening up the Baltic states, Hungary, Poland and Slovenia. Priority projects include a rail route between Paris, Strasbourg, Stuttgart, Vienna and Bratislava. Another route stretching from Lyon to the Ukrainian border, via Venice, Ljubljana (Slovenia) and Budapest, has also been earmarked, while a Lisbon to Madrid high-speed rail link, taking in Porto, is planned.	15
But speeding up transport links across the continent has been an EU ambition for a decade and the results have been disappointing, with many projects bogged down.	
Yesterday, the Commission stressed the need to involve the private sector, while offering to lure investors with cheap loans and the offer of cash up front equivalent to 30 per cent of some project costs.	20
The proposals included four new projects involving the UK and Ireland: rail links between Crewe and Holyhead (to be ready in 2008) and Felixstowe and Nuneaton (for 2011), a Hull to Liverpool road and rail corridor (for 2015), and a similar scheme linking Belfast and Dublin by 2010.	
Ms Loyola de Palacio, the EU transport commissioner, said that transport links were “a motor and pre-condition for Europe’s economic development”.	25
Britain is likely to welcome the package as a basis for negotiation, although it is wary of some details. But the unresolved problem is one of funding.	
The Commission has yet to get governments to agree to the spending plans, and countries such as France and Germany are already battling to control their budget deficits to stay within the rulebook for the euro. The Commission believes that the EU should budget for €220 billion worth of projects by 2020, of which €80 billion would be spent by 2006 on existing projects. It expects about 20 per cent of the cash to come from the private sector, with the rest coming from national governments or from cash put aside by the EU for poorer regions.	30

Source: adapted from STEPHEN CASTLE, *The Independent*, 2 October 2003

Extract B was a map.
It has not been reproduced here due to third-party copyright constraints.

Extract C: Towards an efficient road transport network for EU citizens

The European Union Road Federation (ERF) believes that the current guidelines for Trans-European Networks (TENs) will not provide a viable service to Europe's people and economy.	1
The TENs financial regulation attempts to achieve the impossible. It sets a 25% ceiling for expenditure on roads and stipulates a 55% minimum spending on rail in an attempt to promote transfer from one transport mode to the other. This overlooks the fact that a transfer of mode is difficult for several reasons.	5
<ul style="list-style-type: none"> • Transport demand: rail transport in terms of kilometres travelled is less than 1% of road transport (14 billion km by rail/3000 billion km by road). Roads offer different transport services from rail, so the two are not substitutes for each other. In freight, rail competes with shipping rather than road, and in passenger transport with aviation not road. 	10
<ul style="list-style-type: none"> • Regional development: the TENs financial arrangements overlook the needs of European regions. In programmes where recipients can specify their own needs, 70–80% of transport-related grants are requested for road transport projects. 	
The ERF is committed to the following measures within the new TENs framework:	
<ul style="list-style-type: none"> • A 'European Road Charter' to lay down citizens' rights to safety, accessibility and efficiency. 	15
<ul style="list-style-type: none"> • A new TENs financial arrangement that takes transport demand and the needs of regions into account, and also considers secondary networks providing access to the TENs as an integral part of the European network. 	

Source: adapted from European Union Road Federation, www.erf.be, accessed on 12 January 2004

Extract D: Road to riches . . . or ruin?

Plans to extend roads, railways and waterways to integrate Central and Eastern Europe (CEE) into the European Union's transport network have inspired visions of quick economic gains, and left environmentalists worried that their concerns might get paved over. If the expansion of the EU transport network into the CEE region is to bring real benefits, there must be a balance between the desire for economic growth and the need for sustainable development.	1 5
EU planners have designed 10 'multi-modal' transport corridors to connect the CEE region with the Trans-European Networks (TENs) that are already developed in the west. The corridors facilitate road, rail or water transport, and often a mixture of these modes of transport are developed at the same time.	
Construction of the corridors will have positive impacts on CEE's economies in transition, but without vigilance this development can harm the environment and, possibly, the economies of certain areas.	10
Unfortunately, instead of proceeding with caution, there is an atmosphere of competition between countries of the region, all eager to get the biggest economic benefits of the new corridors. There is also competition between railways and road builders.	15
It is important to remember that transportation development is not a guarantee of prosperity. It is necessary to conserve social well-being by safeguarding attractive areas for those living and working in them and for tourists. Preserving the environment can have economic value.	

Source: adapted from PAVEL ANTONOV, Regional Environment Centre for Central and Eastern Europe, www.bulletin.rec.org, accessed on 12 January 2004

Turn over ►

Extract E:

Extract E was a table.
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Extract F:

Extract F was a graph.
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Extract G:

Extract G was a table.
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Extracts A and B: © The Independent, 2 October 2003.

Extract D: <http://GREENHORIZON.REC.ORG>

Extracts E, F and G: © European Communities, 1995–2003.

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