

General Certificate of Education
January 2007
Advanced Level Examination



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

Friday 26 January 2007 1.30 pm to 3.10 pm

For this paper you must have:

- 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.
- Four of these marks will be awarded for using good English, organising relevant information clearly and using specialist vocabulary where appropriate.

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.

Setting the scene

You are a delegate to an international conference on the reform of the Common Agricultural Policy (CAP). You have been asked to address a seminar which focuses on the environmental and economic implications of the CAP and you will discuss how economists view such problems.

When writing your report, you should make use of the information in **Extracts A to H**, together with any other relevant knowledge you possess.

Requirements of the report

You are to write a report entitled: 'The economic implications of the CAP, with special reference to the environment'.

Your report should:

- explain how the CAP has led to overproduction;
- use the concept of 'market failure' to analyse the environmental problems associated with the CAP;
- evaluate the costs and benefits of switching expenditure from the CAP to other priorities, such as education, training, and research and development (you could, for example, consider how such a switch would affect agriculture and/or the environment and/or the general economy of the EU);
- make a recommendation as to whether the UK should support further reforms to the CAP on economic and environmental grounds, with justifications for your recommendation.

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: The EU Common Agricultural Policy: issues explained

Extract A was an extract of text.
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third-party copyright constraints.

Extract B: Scrap the CAP

Extract B was an extract of text.
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Extract C: Off with the CAP

Extract C was an extract of text.
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Extract D: Some EU-related facts, 2004

EU budget	£60 billion
Amount spent on the CAP	£30 billion
Amount of the CAP going to French farmers and businesses	£8.8 billion
Amount of the CAP going to UK farmers and businesses	£3.5 billion
UK 'rebate' on budget contributions	£4.6 billion
Population of the EU	450 million
Unemployment in the EU	20 million
China's wage costs as a fraction of those in the EU	5%
Skilled graduates produced by Chinese and Indian universities each year	4 million
Estimated size of the Asian market compared with the EU market in 10 years' time	50% larger

Source: Official figures, EU

Extract E: The top five CAP beneficiaries, 2003–4

Extract E was a table.

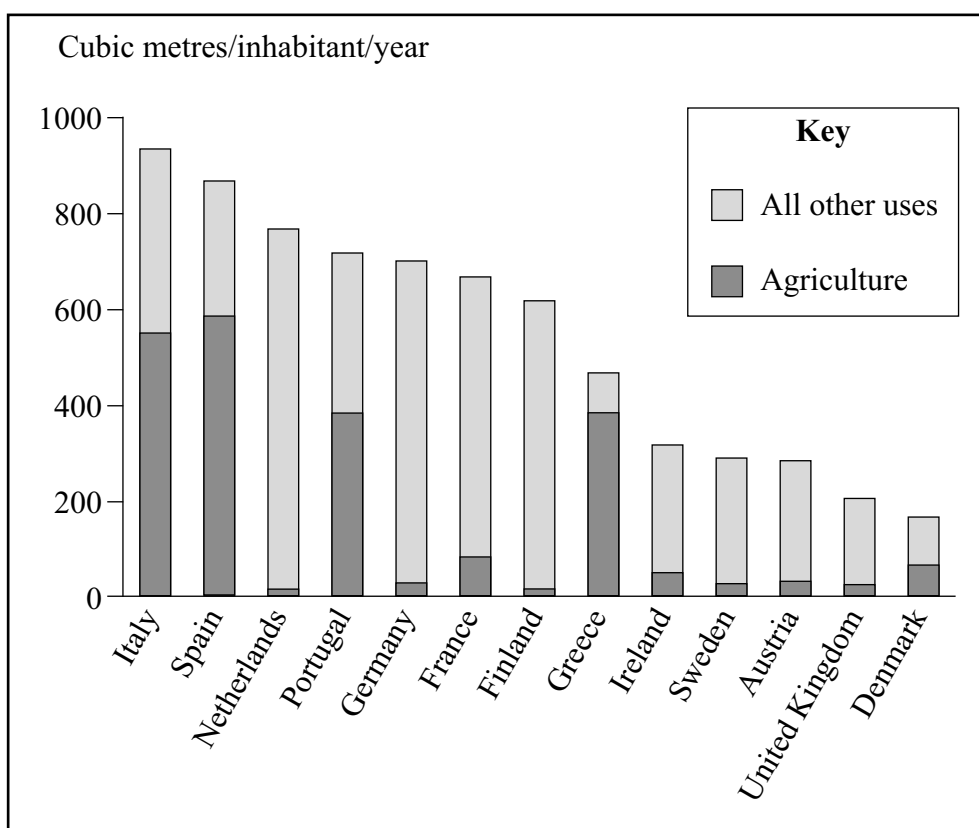
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Turn over ►

Extract F: The CAP's impact on the environment

The negative impacts of intensive farming practices have led to an impoverished countryside, polluted water systems and an increase in greenhouse gases.	1
Biodiversity	
Much of Europe's biodiversity depends on a farmed landscape and has suffered greatly from the opposing problems of intensification and abandonment.	5
Intensification	
The overuse of fertilisers, pesticides and modern machinery and the rationalisation of land could spell disaster for European biodiversity unless properly regulated through the CAP. The CAP accounts for 50% of the total EU budget and hugely influences how farmers manage their land and livestock. The provision of subsidies in the past encouraged intensive agricultural production. These payments were recently decoupled from production. Further reforms are imminent, but these move towards market-oriented production. Farmers may still be encouraged to intensify production in order to increase profit.	10
Abandonment	
The abandonment of extensive farming systems (i.e. those that do not use intensive farming methods), such as traditional olive groves or Alpine grazing, can lead to immense losses of biodiversity and habitats. Land abandonment mostly occurs in extensively farmed areas, and is often linked to the economic uncertainty and fragility of extensive farming systems. Urgent action is needed through the CAP if wildlife, as well as communities and culture, are to survive in these traditionally farmed areas.	15 20
Water supply and water pollution	
Agriculture impacts on both the quantity and quality of water available. Sources of agricultural pollution include nitrates, pesticides, run off, silage, effluent and slurry. EU legislation, such as the Nitrates Directive, restricts fertiliser use, but is often violated in several member states. Over-use of water for crop irrigation, particularly in Southern Europe, is a major abuse of water resources, and is a threat to other industries such as tourism.	25
Climate change	
Agriculture could help reduce global warming through the well-regulated use of biomass energy. Biomass is organic matter of vegetable or animal origin, and includes animal dung, sewage, sludge and composted organic material, and also wood and plants. It provides a cleaner source of electricity and can keep emissions at zero.	30

Source: WWF, www.panda.org/europe/agriculture, accessed on 10 June 2005

Extract G: Water use per head in selected EU countries, 2000

Source: WWF, www.panda.org/europe/agriculture, accessed on 10 June 2005

Extract H: CAP reform: a long-term perspective for sustainable agriculture

On 26 June 2003, EU farm ministers adopted a fundamental reform of the CAP. The reform will completely change the way the EU supports its farm sector. The new CAP will be geared towards consumers and taxpayers, while giving EU farmers the freedom to produce what the market wants. In future, the vast majority of subsidies will be paid independently from the volume of production. This is known as ‘decoupling’.

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These new ‘single farm payments’ will become linked to respect for environmental, food safety and animal welfare standards.

Source: EU Commission, europa.eu.int, accessed on 10 June 2005

END OF EXTRACTS

There are no extracts printed on this page

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