

General Certificate of Education  
June 2007  
Advanced Level Examination



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

Wednesday 13 June 2007 9.00 am to 10.40 am

**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 information clearly and using specialist vocabulary where appropriate.

**Advice**

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

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Answer the compulsory question.

You may detach this page by tearing along the perforations.

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### **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**

It is August 2007. You are an economic adviser to Petra Mandible, the new EU Commissioner for Competition, Trade and Employment. European manufacturers of ICT (information and communications technology) products are pressing for trade restrictions on imports of ICT products from China. In order to try to avoid a repetition of the type of trade dispute over textiles that occurred in 2005, the Commissioner is due to meet economic ministers from EU member countries to agree a policy. You have been asked to prepare a briefing paper for conference delegates explaining the main economic issues.

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: 'Should the EU have free trade with China?'

Your report should:

- explain why international trade is important to the economy of the EU and member countries such as the UK;
- explain possible reasons for changes in the pattern of trade between EU member countries and China;
- assess the economic effects of large economies and trading blocs, such as the EU, adopting protectionist policies, including tariffs and quotas, against China;
- make a recommendation as to whether the EU should have free trade with China in high-tech equipment such as ICT products, giving 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: Deficit for EU25**

The first estimate for the month of September 2005 of EU25 external trade was a €9.1 billion deficit, compared with an €8.3 billion deficit in September 2004. The twelve-member Eurozone had a surplus of €1.4 billion for the month of September 2005. 1

Concerning the total trade of member countries from January to August 2005, the largest surplus was observed in Germany (€109.1 billion). The United Kingdom registered the largest deficit (€65.5 billion) over this 8-month period. 5

Source: Euro-indicators, *News Release*, 21 November 2005, *europa.eu.int*, accessed on 3 January 2006

**Extract B: EU external trade**

Main trading partners of EU25, non-seasonally adjusted data

	EU25 exports to ...			EU25 imports from ...			Trade balance*	
	Jan– Aug 04 €bn	Jan– Aug 05 €bn	Growth %	Jan– Aug 04 €bn	Jan– Aug 05 €bn	Growth %	Jan– Aug 04 €bn	Jan– Aug 05 €bn
United States	154.1	160.6	4	105.9	106.8	1	48.2	53.8
China	31.9	32.6	2	79.3	97.5	23	–47.3	–64.9
Russia	28.4	34.8	23	50.5	67.0	33	–22.1	–32.2
Switzerland	48.5	53.1	9	39.7	42.2	6	8.9	10.9
Japan	28.5	28.4	0	49.6	47.7	–4	–21.0	–19.3
Norway	19.8	21.8	10	35.7	41.3	16	–15.8	–19.5
Turkey	24.9	26.1	5	19.7	21.4	8	5.1	4.7

\*Export and import figures may not agree with trade balance figures because of rounding.

Source: Euro-indicators, *News Release*, 21 November 2005, *europa.eu.int*, accessed on 3 January 2006

**Extract C: EU remains China's top trade partner**

From January to November this year, the EU has remained China's largest trade partner. The China-EU trade volume reached US \$197 billion, up 23.6 per cent, according to the latest statistics from the China General Administration of Customs. Over the same months, the number of countries sharing a bilateral trade volume with China exceeding US \$100 billion has increased to six. 1 5

Despite some frictions, the trade volumes between China and its three major trading partners – the EU, the USA and Japan – all continued to grow. From January to November, China's imports plus exports totalled US \$1282 billion, with an annual growth rate of 23.5 per cent. China's exports increased remarkably, while imports also accelerated.

Source: *People's Daily Online* (China), 13 December 2005, *english.people.com.cn*, accessed on 3 January 2006

**Extract D:**

**Extract D** is an extract of text. It has not been reproduced here due to third-party copyright constraints.

**Extract E: ‘Bra Wars’ are doing us all a good turn**

The horror of it: Britain is about to run out of bras, T-shirts, dresses and trousers. The European Union is torturing the British with the threat that they might not be able to go shopping any more. Women may be forced to wander around semi-naked, desperate for something to do at the weekend. 1

More than 48 million sweaters, four million T-shirts and three million bras are now stranded in ports because the French and Italians don’t like the competition. But maybe the EU’s trade commissioner has done us a favour. Even before these trade wars, it looked as though Britain had begun to lose its consuming appetite. This has been blamed on everything from anti-social behaviour in shopping centres to the £1000 billion mountain of debt that Britain has accrued. But perhaps we have just had enough. That the average woman now spends 5  
£32 000 on shoes in her lifetime suddenly seems ludicrous – she should be thinking about her pension. The fact that Marie Claire magazine can run articles encouraging women to ‘Get ready to shop’, in the same issue in which it explains that more than 90 per cent of women in Sudan have no proper drinking water, is frankly embarrassing. 10

On holiday, my daughter found several holes in her favourite jumper. I was amazed when my mother spent an hour repairing it, rather than let me bin it and buy another one. My mother was right. This is what we should all be doing, because the next generation will have to cope with both their debts and ours. 15

Source: adapted from an article by ALICE THOMSON, *Opinion.Telegraph*, 26 August 2005, [telegraph.co.uk](http://telegraph.co.uk), accessed on 3 January 2006

**Extract F: End of strife over textile quotas?**

The EU and China have signed a deal to end the strife over textile quotas. However, the agreement has yet to be approved by EU member countries. Any serious dispute among member countries of the EU tends to reveal a north-south split. On trade matters, this occurs because the ‘Atlantic’ countries – UK, Ireland, the Netherlands and the Nordic countries – tend to be pro free trade, while the ‘Club Med’ tends to be protectionist. The gap is wider in the ‘Bra Wars’ case because textile manufacturing jobs are concentrated in southern member countries. There is also substantial production in the newly-joined central European countries, but they are better able to compete on wage costs. 1  
5

Source: adapted from an article by ROBIN PEDLER, *Templeton College website*, 5 September 2005, [templeton.ox.ac](http://templeton.ox.ac), accessed on 3 January 2006

**Turn over ►**

**Extract G:**

**Extract G** is an extract of text. It has not been reproduced here due to third-party copyright constraints.

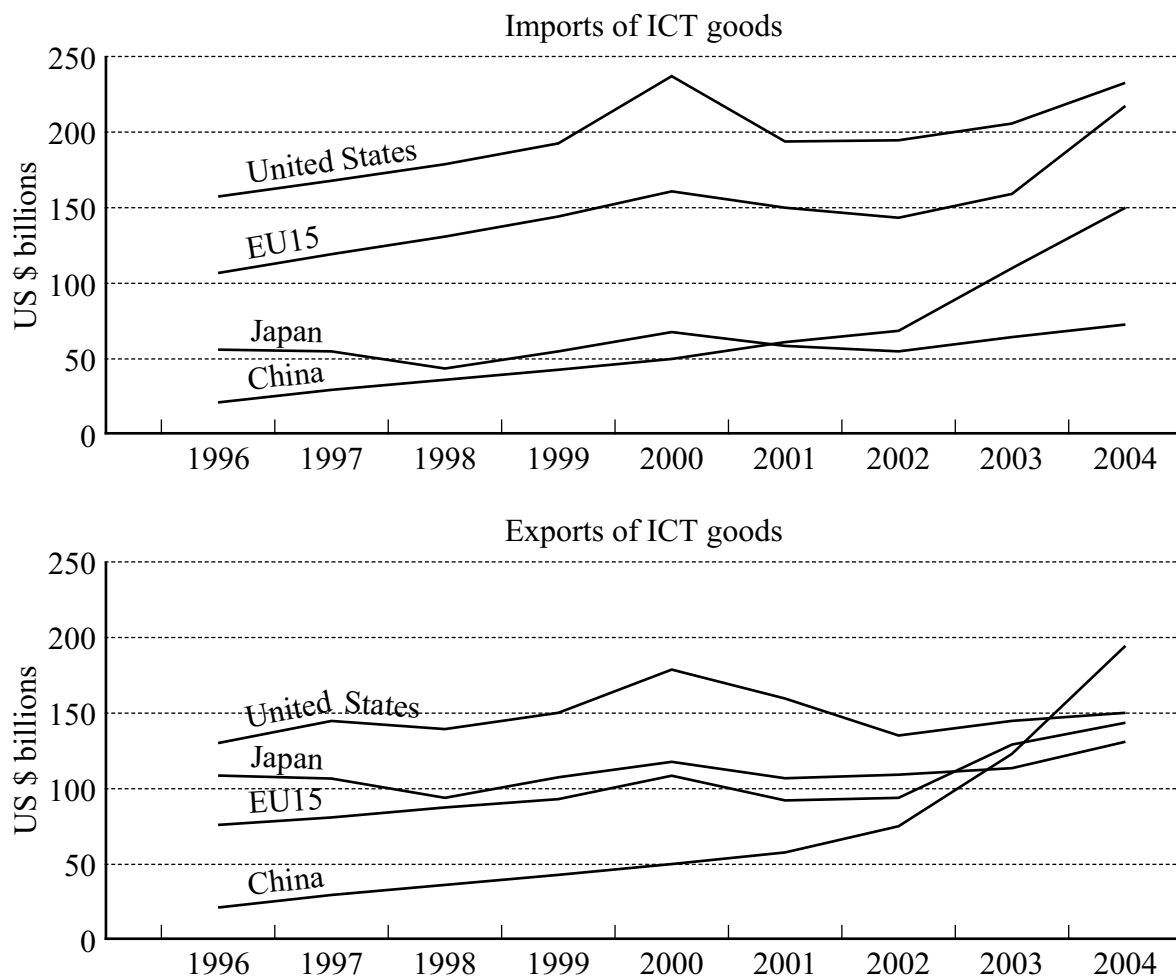
**Turn over ►**

### Extract H: China is biggest exporter of ICT goods in 2004, surpassing US and EU

The graphs below refer to trade in information and communications technology (ICT) goods. These include laptops, PCs, office machines, televisions, radios, radar apparatus, video recorders, telephones, teleprinters, modems, fax machines, consumer electronics such as MP3 players and electronic components which are used to assemble ICT equipment, and which include integrated circuits, semiconductor devices, magnetic readers, electrical capacitors and machine parts. China's ICT imports are mainly electronic components, while it mainly exports computers and related equipment.

China's share of the world's total trade (exports plus imports) in ICT goods was worth less than US \$25 billion in 1996, and reached almost US \$329 billion in 2004. In 2002, China had a trade surplus in ICT goods for the first time, and the figure was US \$3 billion. This has grown to US \$32 billion in 2004.

#### Imports and exports of ICT goods, 1996–2004



Note: Data for the EU exclude intra-EU trade.

Source: Organisation for Economic Co-operation and Development (OECD), [www.oecd.org](http://www.oecd.org), accessed on 3 January 2006

**END OF EXTRACTS**

**There are no extracts printed on this page**

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Extract D: © Guardian Newspapers Limited 2005

Extract G: © Guardian Newspapers Limited 2006

Extract H: taken from: 'OECD finds that China is biggest exporter of information technology goods in 2004, surpassing US and EU', [www.oecd.org](http://www.oecd.org)

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