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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED SUBSIDIARY GCE**

F582

ECONOMICS

The National and International Economy

THURSDAY 21 JANUARY 2010: Morning

DURATION: 1 hour 30 minutes

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Question Paper

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **ALL** the questions.
- The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- You will be assessed on the quality of written communication in question 7.

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WILL DUBAI OVERTAKE ABU DHABI?

Dubai is one of the seven emirates (states) that form the United Arab Emirates (UAE). Another is Abu Dhabi. All seven emirates share the same currency, the dirham. The dirham's exchange rate against the pound sterling has fluctuated in recent years.

5

Whilst Abu Dhabi is the richest emirate, Dubai is catching up. Fig. 1 compares the economies of Abu Dhabi and Dubai.

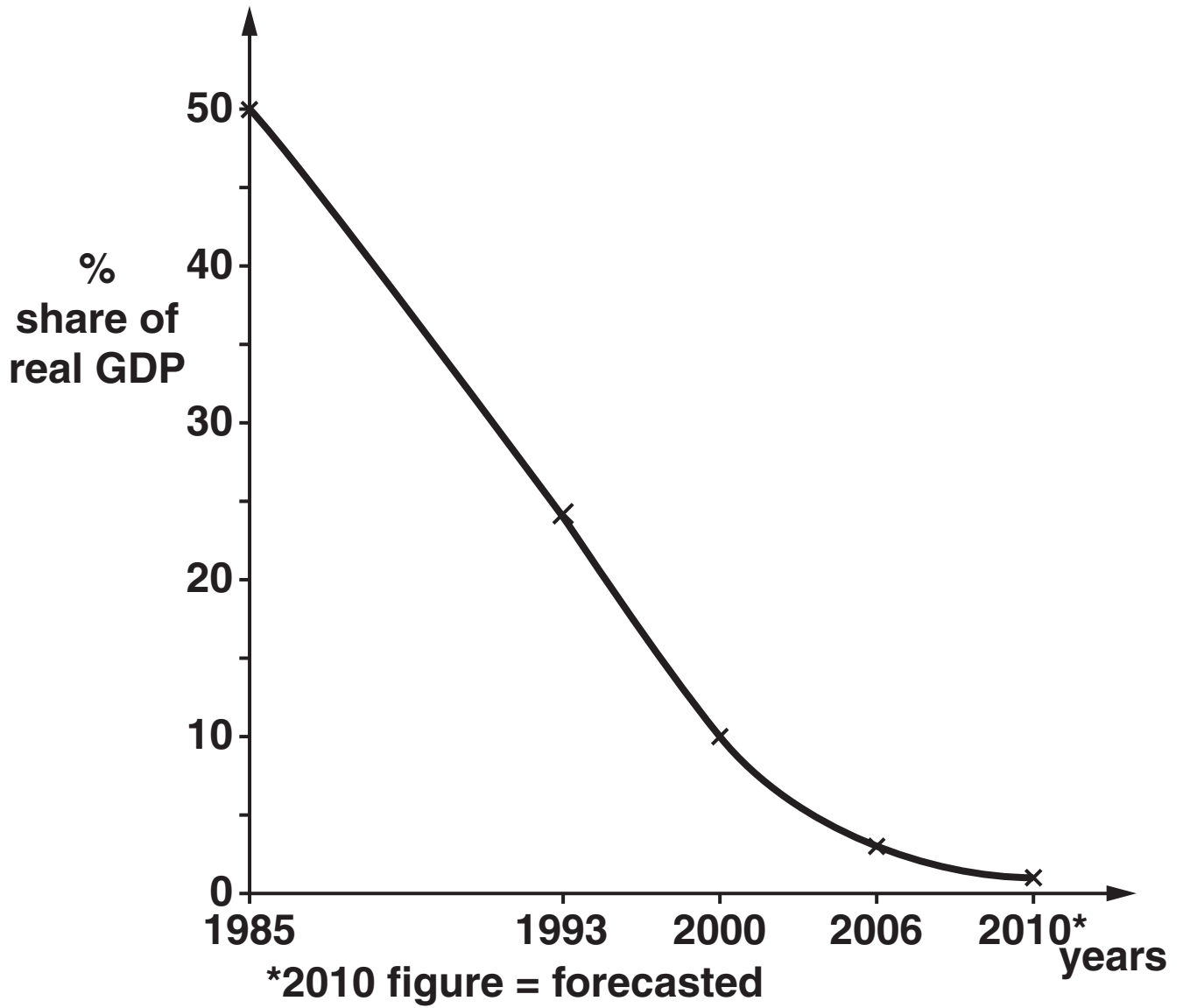
FIG.1 SELECTED ECONOMIC INDICATORS FOR ABU DHABI AND DUBAI IN 2007

ECONOMIC INDICATORS	ABU DHABI	DUBAI
Annual economic growth rate	8.2%	11%
Real GDP	\$160bn	\$54bn
Contribution to UAE's real GDP	61%	24%
Population	1.4m	1.6m
Inflation rate	11.0%	11.2%
Trade surplus	\$54bn	\$30bn

Dubai's economy is changing. It is becoming more diversified. Fig. 2 shows the contribution of oil to Dubai's economy.

10

**FIG. 2 OIL'S CONTRIBUTION TO
THE ECONOMY OF DUBAI**



Dubai is developing its business, financial and tourism sectors and experiencing a construction boom. A number of business-related cities have been built, including Health Care City and Media City. Dubailand is the world's largest theme park; and the world's tallest building, the Burj Dubai tower, will be completed in 2009. Investment is increasing at a relatively rapid rate, although consumer expenditure is still the highest component of Dubai's aggregate demand. The tendency of Dubai's citizens to spend a high proportion of their income leads to injections having a relatively large multiplier effect. 15
20

Dubai has a very open economy, trading with many countries throughout the world. Many protectionist measures have long since been removed and both imports and exports have increased. Most of the people living in Dubai are foreign workers and it is anticipated that the number of such immigrant workers will increase significantly in the next decade. Dubai's ruler, Sheikh Mohammed bin Rashid al-Maktoum, stated in 2007 that the country is planning to double its labour force to 1.7m by 2015. 25
30

Dubai currently has no income tax, corporation tax or VAT (sales) tax. Consumer expenditure and investment can, however, still be changed by altering the rate of interest. 35

Answer ALL questions.

1 (a) Define the term 'exchange rate'.

[2]

(b) Draw a demand and supply diagram to show how an exchange rate is determined by market forces.



[3]

2 (a) Using the information in Fig. 1, comment on whether the performance of Abu Dhabi was better than that of Dubai in 2007.

[5]

(b) Describe TWO difficulties in measuring real GDP.

1 _____

2 _____

_____ **[4]**

3 Using Fig. 2, describe the change in the contribution of oil to Dubai's economy between 1985 and 2010.

_____ **[2]**

4 (a) Using information from the case study, identify ONE injection and ONE leakage.

injection: _____

leakage: _____

_____ [2]

(b) Define the term 'multiplier effect'.

_____ [2]

5 (a) State and explain TWO possible ways of reducing protectionism.

1 _____

2 _____

_____ **[6]**

(b) Comment on the effect that an increase in a country's exports will have on its level of employment.

[6]

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- 6 (a) Calculate, to the nearest whole number, the percentage of Dubai's population that was in the labour force in 2007.

[2]

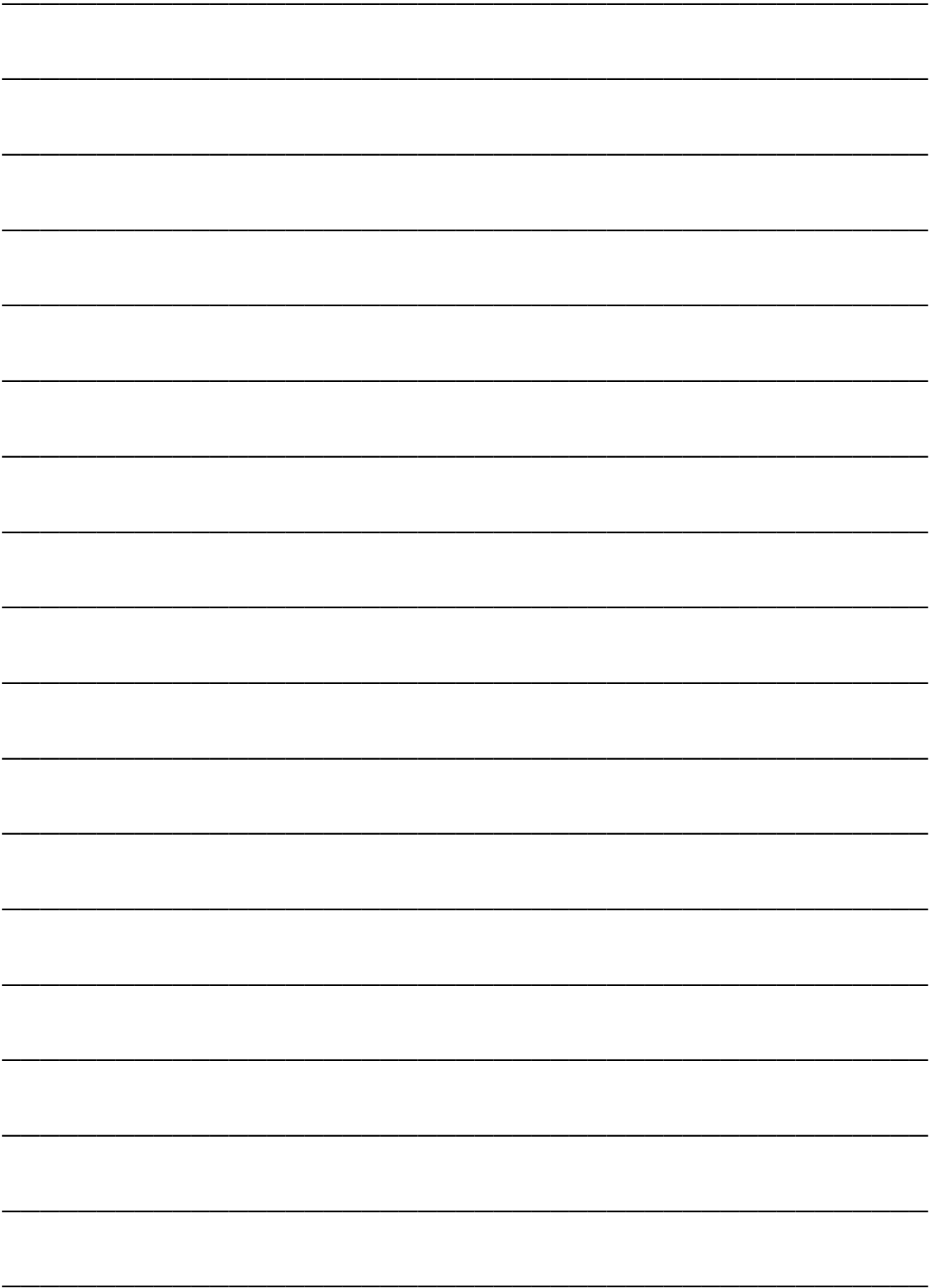
- (b) Using an aggregate demand and aggregate supply diagram, analyse the effects of immigration on an economy.



7 Discuss the extent to which a reduction in the rate of interest can be effective in increasing consumer expenditure and investment. [18]



If you use these lined pages you **MUST** write the question number next to your answer.





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