



**ADVANCED GCE
ECONOMICS**

Economics of Development

2886

Candidates answer on the Answer Booklet

OCR Supplied Materials:

- 8 page Answer Booklet

Other Materials Required:

None

**Monday 7 June 2010
Afternoon**

Duration: 1 hour 30 minutes



INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- 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 Question 1 in Section A and answer **one** question from Section B.
- Write all your answers in the separate answer booklet provided.
- If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.

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 **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **4** pages. Any blank pages are indicated.

Section A

Answer this question.

1

Economic Development in Vietnam

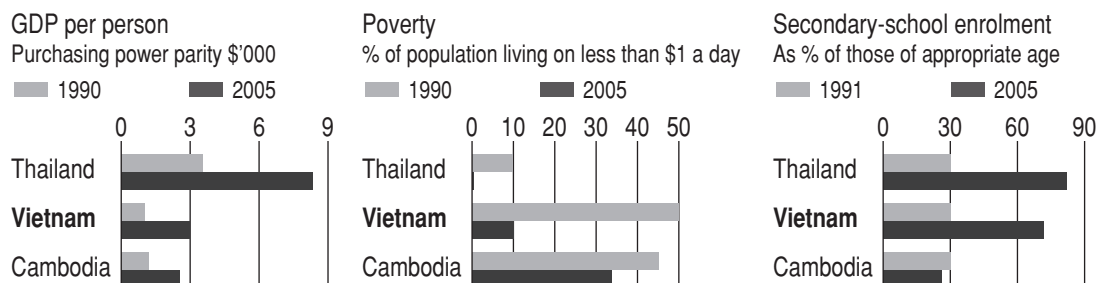
In the early 1980s, the Socialist Republic of Vietnam was a command economy facing famine and hyperinflation. In 1986, a reform programme, called Doi Moi (renovation), was introduced. This moved the emphasis from an inward-looking, central planning system with collective agriculture towards a globalised, market-based economy which abolished government price fixing. At the same time it retained a socially inclusive approach with a fairer redistribution of farmland and more transparent government.

By 2006, the private sector was responsible for 50% of investment, 65% of manufactured goods and 70% of non-oil exports. 3000 state-owned enterprises remained, three quarters of which were profitable.

By 2007, Vietnam had already met the Millennium Development Goal of halving poverty between 1990 and 2015 and had joined the World Trade Organisation. A steady annual average growth rate of 7.5% over 20 years had attracted foreign investment and foreign aid and helped to reverse the trade deficit.

A comparison between Vietnam and two neighbouring countries in terms of progress is given in Fig. 1.

Fig. 1 Selected Development Data



However, in 2008, worrying problems still remained for the Vietnamese government, namely:

- the high level of rural to urban migration
- poorly performing state enterprises
- the increasing strain on natural resources
- the threat from exposure to globalisation.

- (a) (i) What evidence from the information provided suggests that Vietnam is a mixed economy? [2]
- (ii) Explain **two** possible reasons why Doi Moi proved successful. [4]
- (b) Using Fig. 1, comment on Vietnam's development performance relative to that of Thailand and Cambodia. [4]
- (c) State and explain **two** pieces of information, additional to that provided, which would allow a better judgement of Vietnam's level of development. [4]
- (d) Discuss which you consider to be most important of the problems still remaining for the Vietnamese government in 2008. [6]

Section B

Answer **one** question.

- 2 (a) Explain why an economy's national income statistics are considered to be an inadequate measure of its economic development. [10]
- (b) Discuss the extent to which developing countries have the same economic problems as developed countries. [15]
- 3 (a) Explain the contribution of the Harrod-Domar model to an understanding of the process of development. [10]
- (b) Discuss the desirability for a developing country of concentrating its government expenditure on health and education. [15]
- 4 (a) Explain the problems for developing countries which result from changes in the flows of international capital. [10]
- (b) Discuss whether the growth of multilateral and bilateral free trade agreements has been of benefit to developing countries. [15]

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