

**Advanced GCE  
ECONOMICS**

Unit F585: The Global Economy

**Specimen Paper**

Additional Materials: Answer Booklet (...pages)

**F585**

Morning/Afternoon

Time: 2 hours



**INSTRUCTIONS TO CANDIDATES**

- Answer **all** the questions.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part of question.
- The total number of marks for this paper is **60**.

**ADVICE TO CANDIDATES**

- Read each question carefully and make sure you know what you have to do before starting your answer.
- You will be assessed on the quality of written communication in the question marked with an asterisk (\*).

This document consists of **10** printed pages and **2** blank pages.

**Extract 1****China's Economic Condition – May 2003**

Since the initiation of economic reforms in 1979, China has become one of the world's fastest growing economies. From 1979-2002, China's real GDP rose at an average annual rate of 9.3%; it rose by an estimated 8.0% in 2002. Many economists speculate that China could become the world's largest economy at some point in the near future, provided that the government is able to continue and deepen economic reforms, particularly in regards to its efficient state-owned enterprises (SOEs) and state banking system.

After many years of negotiations, China became a member of World Trade Organization (WTO) on December 11, 2001. WTO accession commits China to significantly reducing a wide variety of tariff and non-tariff barriers over the next few years.

If fully implemented, the terms of China's WTO accession will likely have a significant impact on China's economy. The level of Chinese trade protectionism will be greatly diminished over the next few years, and nearly all sectors of China's economy (including agriculture, manufacturing, and services) will increasingly be subject to great competition. Several of China's heavily protected industries, such as vehicles, and certain agricultural sectors, could be negatively affected by China's WTO membership. China's labour intensive industries, especially textiles and clothing, will likely benefit significantly with China's WTO accession. A major challenge for the government is to develop an adequate social safety net to assist laid-off workers.

China's economy remained relatively healthy in 2002, despite economic slowdowns in other parts of the world. Foreign investment continued to pour into China, and the Chinese government effectively used public spending to boost the economy. However, a wide variety of social problems have arisen from China's rapid economic growth and extensive reforms, including pollution, a widening of income disparities between the coastal and inner regions of China, and a growing number of bankruptcies and worker layoffs.

*Congressional Research Service Briefing for United States Congress*

## Extract 2

## Selected economic indicators for China

Table 1: China's Average Annual Real GDP Growth Rates: 1960-2002

Time period	Average Annual % Growth
1960-1978 (pre-reform)	5.3
1979-2002 (post reform)	9.3
1990	3.8
1991	9.3
1992	14.2
1993	13.5
1994	12.7
1995	10.5
1996	9.7
1997	8.8
1998	7.8
1999	7.1
2000	8.0
2001	7.3
2002	8.0

Source: Official Chinese government data.

Table 2: Major Foreign Investors in China: 1979-2002 (\$ billions and % of total)

Country	Cumulative Utilised FDI: 1979-2002		Utilised FDI in 2002		
	Amount (\$ billions)	% of Total	Amount (\$ billions)	% of Total	% Change over 2001 Levels
Total	448.2	100.0	52.7	100.0	12.5
Hong Kong	205.6	45.9	17.9	34.0	-6.4
United States	39.8	8.9	5.4	10.2	22.3
Japan	36.6	8.2	4.2	8.0	-3.7
Taiwan	33.2	7.4	4.0	7.6	33.2
Singapore	15.3	3.3	2.3	6.3	8.9

Source: Chinese Government statistics. Top 5 investors according to cumulative FDI from 1979-2002.

Table 3: Comparisons of U.S., Japanese, and Chinese GDP and Per Capita GDP in Nominal U.S. Dollars and PPP: 2001

Country	Nominal GDP (\$ billions)	GDP in PPP (\$ billions)	Nominal Per Capita GDP	Per Capita GDP in PPP
U.S	10,082	10,082	36,300	36,300
Japan	4,148	3,450	32,636	27,200
China	1,179	5,560	923	4,300

Sources: DRI-WEFA, Country Outlook, First Quarter, 2002 and CIA, World Factbook.

Note: PPP data for China should be interpreted with caution. China is not a fully developed market economy; the prices of many goods and services are distorted due to price controls and government subsidies.

**Table 4: China's Top 5 Trading Partners: 2002** (\$ billions)

Country	Total Trade	Chinese Exports	Chinese Imports	China's Trade Balance
Japan	102.0	48.5	53.5	-5.0
U.S.	97.2	70.0	27.2	42.8
Hong Kong	69.3	58.5	10.8	44.7
Taiwan	44.7	6.6	38.1	-31.5
S. Korea	34.1	15.5	28.6	-13.1

**Source:** Official Chinese trade data.

**Note:** Chinese data on its bilateral trade often differ substantially from the official trade data of other countries on their trade with China.

**Table 5: Major Chinese Imports: 2002**

Commodity	Total (\$ billions)	% of Total Imports	% Change over 2002 Levels
Mechanical and electrical products	120.5	40.8	29.1
High-tech products	64.1	21.7	29.2
Integrated circuit and electronic components	16.6	5.6	54.6
Crude oil	11.7	4.0	9.4
Primary plastics	11.7	4.0	13.7
Total top 5	224.6	76.1	-

**Source:** Official Chinese trade data.

**Table 6: Major Chinese Exports: 2002**

Commodity	Total (\$ billions)	% of Total Exports	% Change over 2001 Levels
Mechanical and electrical products	118.8	36.5	32.3
High-tech products	46.5	14.3	46.1
Clothing and accessories	36.6	11.1	12.7
Textile yarn, fabrics, and their products	16.8	5.2	22.2
Automatic data processing machines (computers)	8.0	2.5	64.4
Total top 5	226.7	69.6	-

**Source:** Official Chinese trade data.

### Extract 3

#### Knitters in knots over trade barriers

**While world leaders were wrestling with trade issues in Hong Kong's five-star hotels, women in China's rural Zhuyangxi township realised that their hopes of knitting themselves a better life was hanging in the balance.**

In China's heartland, Zhuyangxi is a typical rural township. Along two dusty streets, a motley collection of small, privately-owned shops struggle in an area where most people earn less than \$500 (£282) annually.



Knitting is not just a hobby, for some it is an economic lifeline

#### Early retirement

There used to be factory work for hundreds here. But, like so many other communities, far away from the spotlight of the big cities, the closure of unprofitable state companies has dealt a bitter blow. Workers in Zhuyangxi typically receive \$30 per month in unemployment benefits. "It's so difficult to find a job in Zhuyangxi," explains Cheng Yuanshu. "Most of the people are unemployed. Because of the factory closures, we just had to retire early – 200 of us were laid off."

#### Life-line

So, those knitting by the Zhuyangxi railway are not amusing themselves with a hobby. Along with those working at home, or gathered in a local meeting room, they are part of a burgeoning cottage industry.

"My child is in college," explains Zhong Xuemei. "We've been laid off for over a year, so I came here knitting to earn some money for my family."

But there is little money in the local market to support such an enterprise. So, earlier this year, with designs and wool supplied by a British online company, the ladies decided to produce colourful, chunky pullovers for the European and American market. The UK firm – Chunkichilli – is a start-up run by Tim Wilson, whose Chinese wife has relatives in Zhuyangxi. He saw that his family could knit well, and with global textile quotas abolished on January 1, 2005, he believed that the community could use their skills to generate much needed income. Also he could profit from developing a niche market.

#### 'Major impact'

But in the summer, bad news came to Zhuyangxi. Brussels and Washington were taken aback by a huge surge in textile exports from China, and were limiting sales on a whole host of Chinese garments – including knitted pullovers. After painstaking negotiations, some quotas have been agreed but these are hard to come by and are generally secured by established exporters. "The only possible way for us to export is by exporting to a third country, having our goods re-worked and then exporting to Europe and the US," complains Mr Wilson, general manager of Chunkichilli. "But that obviously has a major impact on our costs."

Zhuyangxi's chunky pullovers, knitted by laid-off workers, seem to be viewed as part of a much wider threat to western manufacturing.

#### Imbalance

In effect, developed countries are hampering these simple, local efforts to ward off poverty, despite calls by leaders like UK Prime Minister Blair to help the poor "stand on their own two feet". "They won't consider the imbalance between China's regions, especially the state of the small, local handicrafts such as in the western region," explains Wang Wenyu, an associate professor at China's South West University "and this hurts the small producers."

With the help of a British relative to do the sales and marketing, the enterprising ladies of Zhuyangxi want their township to benefit from trade. But they're being thwarted by none other than the big trading nations.

<http://news.bbc.co.uk/1/hi/business/4533106.stm> Monday, 19 December 2005

## Extract 4

### EU and China agree textile pact

**The European Union and China have agreed a deal to limit exports of Chinese textiles into Europe after last-ditch talks to calm a trade row.**

EU Trade Commissioner Peter Mandelson said the curbs would give European firms time to adjust to China's growing power in the textile trade. The measures will come into force immediately and last till 2008. The EU was set to impose its own curbs if no deal was reached on Friday, as trade rules allow protection till 2008.

### Compromise deal

Mr Mandelson said, "the overall settlement offers a fair deal for China while giving respite and much-needed breathing space to textiles industries in Europe and developing countries".

It limits growth in imports of 10 categories of Chinese made clothing and fabrics, including T-shirts and flax yarn, to 10% a year until 2008. Mr Mandelson and China's Commerce Minister Bo Xilai spent Friday locked in detailed negotiations in Shanghai. Under global trade rules, the EU could have restricted growth in Chinese imports to 7.5% a year. The EU fears Chinese products could overwhelm Europe's textile producers, while China had said the EU was acting unfairly. The US has levelled similar complaints about Chinese textiles and has already re-imposed caps on seven products.

The explosion in China's textile trade has followed the scrapping of the global Multi Fibre Agreement on 31 December 2004. Since then, both the EU and US say that textile exports have soared. As he arrived in Shanghai, Mr Mandelson told reporters that he looked forward to reaching a last-minute deal – but would not shrink from taking action. "If we don't make an agreement, we will have to take other measures. This question has been dragged on over many days. We have a limited opportunity."

The agreement comes as China on Friday reported its biggest monthly trade surplus so far this year. Chinese exports in May rose 30% from the year before, with the trade surplus – the difference between exports and imports – doubling from April to \$8.99bn, far above most predictions. Also on Thursday, shoes came under scrutiny after the EU said shoe imports from China had leapt 700% since the start of the year.

### Evidence

The EU wanted China to agree to limit export growth to 7.5% on T-shirts and flax yarn or face imposed quotas, perhaps within days, and was investigating seven other categories of textiles. The EU position rests on China's agreement when it joined the World Trade Organization in 2001 to allow other members to curb its clothing exports if their markets were disrupted.

China says that Europe and the US need to provide better evidence before moving ahead with sanctions, and warns that as many as 400,000 workers could be affected.

Mr Bo has warned that China may delay opening up its markets to agricultural products. On Thursday, he said that China saw the textile row as a test of whether developed countries were serious about fairness in enforcing free trade rules.

"China will protect its industry's legitimate rights, and on the other hand will act in line with WTO regulations," he told reporters.

The US, meanwhile, held its own abortive talks in Beijing earlier this month.



The talks centred on avoiding a trade war over T-shirts and flax yarn

### CHINA'S GROWING TEXTILE EXPORTS



Pullovers and men's trousers to EU: up 400%  
T-shirts to EU: up 157%  
Shoes to EU: up 700%  
**Source: EU**

**Extract 5****Firm holds talks over job losses**

**Textiles company Ulster Weavers has said it is in talks with union leaders over proposals to cut jobs.**

The firm said it plans to close its Dungannon factory which would lead to the loss of 60 jobs and cut a further 10 to 12 jobs across its business. It is holding a 30-day consultation process, but said it was unlikely to be able to keep the Dungannon plant open. Managing director Declan Gormley said rising costs in the province make it difficult to remain competitive. "It's the age-old story in textiles at the moment – the pressure from the Far East," Mr Gormley said. "Falling prices right across the board and of course rising costs in Northern Ireland make it very difficult to continue to run a manufacturing base in Northern Ireland. "Certainly we'll be doing everything in the consultation to look at options that could prevent that or certainly mitigate against it," he added.



About 70 textiles jobs are likely to be lost

Staff have said they are angry the redundancies are coming at Christmas, and when the company is involved in research and development in China.

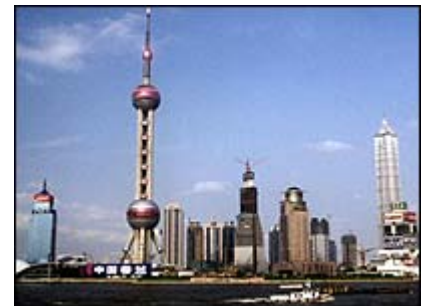
[http://news.bbc.co.uk/1/hi/northern\\_ireland/4533522.stm](http://news.bbc.co.uk/1/hi/northern_ireland/4533522.stm) 16 December 2005

**Extract 6****Shanghai surprise for Northern Ireland investors**

The waterfront in Shanghai is a snapshot of how the city, and China, have changed in the last 15 years. There is an endless stream of barges chugging along the Huang Pu river, between skyscrapers that simply were not there 15 years ago.

Bob Shead from the British Consulate in the city has watched the skyline change, and with it, the growth of business opportunities in China. "This is the sixth biggest economy in the world; it could be the second biggest in a decade. There is no doubt that, as China opens up further to trade, opportunities will increase."

It is not just the Huang Pu that is clogged with traffic. Shanghai's streets are also frequently gridlocked, as the infrastructure struggles to keep up with the pace of growth. That growth has been fuelled by an increasingly liberal global trade regime, and labour costs a fraction of what they are in developed economies.



Shanghai's streets are also frequently gridlocked

Those are ingredients which, in Northern Ireland, have helped accelerate the decline of the textiles industry. However, Enterprise Minister Angela Smyth said it was impossible to wind back the clock, and that the priority is to make the most of what China has to offer. "The growth of this economy could be both a threat and an opportunity, but I think we should see it as an opportunity," she said. "We have companies here looking to trade with China; and Northern Ireland is a good place for Chinese companies that are looking for a presence in Europe to invest."

Meanwhile, several of the local companies taking part in the recent trade mission to China find themselves forced to exploit the same cost advantages that have put some firms from Northern Ireland out of business, arguing that sourcing components and raw materials in China helps protect jobs at home.

**‘Good strategic move’**

One such company is Fleming Agriproducts from just outside Londonderry. The firm’s managing director, George Fleming, says that since they began sourcing overseas, production and employment have actually increased. “The products we make are quite large and it would not be feasible to ship them back home, but we have been buying components such as gearboxes here for some time,” he said. “It helps to keep our cost base in line with our competitors. In the past, we have bought through agents; now we want to find a partner to supply us directly.”

Some firms have jumped into the Chinese market with both feet. Deltaprint employs 140 in a packaging business in west Belfast, but has a workforce of more than 500 in a joint-venture factory outside Beijing. For joint managing director Colm Bradley it was a good strategic move. “We have been here five years now; we feel we got in at the right time,” he said. “I think we will have turnover of around £15m in China this year, but you have to exercise control. You have to come out here, and you have to know what is going on. But the era of thinking ‘Will I get my money out?’ has gone.”

The growing economic muscle of China has created business opportunities that could not have been envisaged a few years ago. China’s growing middle class has money, wants to travel, and is now allowed to. Tourism Ireland, the promotional body for the whole of the island, recently began to dip its toe into the Chinese market by appointing a full-time representative and making a presentation to the travel trade in Shanghai.

The development of China is not without its problems. The growing gaps in wealth have created social tensions; there remains real concerns about human rights; and the pollution that clogs Shanghai’s skyline is a reminder of an environmental hangover that may have to be faced for decades to come.

However, China is on its way to becoming an economic superpower; even thousands of miles away, little Northern Ireland needs to take note.

[http://news.bbc.co.uk/1/hi/northern\\_ireland/4526580.stm](http://news.bbc.co.uk/1/hi/northern_ireland/4526580.stm)



Answer **all** questions.

- 1 (a) Distinguish between short and long run economic growth. [4]
- (b) Using an aggregate demand and supply diagram, analyse the likely reasons why "China has become one of the fastest growing economies". [6]
- (c) Comment on the extent to which rapid economic growth, such as that experienced in China, is desirable. [10]
- 2 (a) Explain the functions of the World Trade Organisation. [4]
- (b) Analyse the benefits of international trade for a developing economy, such as China. [6]
- (c) Comment on the obstacles faced by economies, such as China, in international trade. [10]
- 3\* Discuss the extent to which China's rapid economic development will impact on the global economy. [20]

**Paper Total: [60 Marks]**

*Copyright Acknowledgements:*

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (OCR) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest opportunity.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

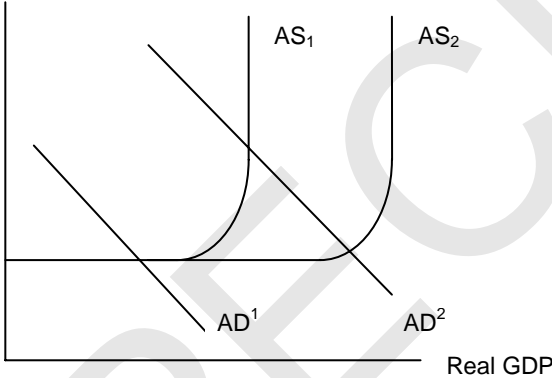
© OCR 2007

SPECIMEN

SPECIMEN

The maximum mark for this paper is 60.

SPECIMEN

Question Number	Answer	Max Mark
1(a)	<p><b>Distinguish between short and long run economic growth.</b></p> <p>Economic growth refers to an increase in a nation's real output of goods and services measured by GDP. Short run economic growth relates to increases in output in any given year. Long run economic growth relates to increases in an economy's capacity to produce output. They can be distinguished partly by their main causes. Short run growth is generated by increases in AD, whereas long run economic growth is determined by increases in LRAS. It is possible, therefore, for economic growth in the short run to exceed the long run rate of growth.</p> <p><i>Synoptic knowledge: AS Unit 2</i></p> <p><i>Government economic policy objectives and indicators of national economic performance. Aggregate demand and aggregate supply and their interaction.</i></p> <p>Up to 2 marks for definitions of the terms</p> <p>Up to 2 further marks for an answer which makes a distinction between the two types of economic growth</p>	[4]
1(b)	<p><b>Using an aggregate demand and supply diagram, analyse the likely reasons why "China has become one of the fastest growing economies".</b></p> <p>Price level</p>  <p>Real GDP</p> <p>Likely reasons for China's rapid rate of economic growth relate to changes in AD and AS. The diagrammatic basis for candidate's analysis of the reasons should, therefore, be one showing a rightward shift in both AD and AS. They should be able to apply knowledge and understanding of the causes of economic growth in both the short and the long run to analyse China's rapid economic growth. This should involve analysis of changes in the components of AD (C+I+G+X-M) and AS. There are references in the Extract material to expansionary fiscal policy and to the role of FDI as determinants of short run growth in 2002. Reference could also be made to growth in exports. Recognition of the increase in China's trend rate of economic growth since 1979 (post reform) should be the basis of analysis of supply side improvements. Recognition that FDI raises both AD and AS.</p>	

Question Number	Answer	Max Mark
<p><b>1(b)</b> cont'd</p>	<p><i>Synoptic knowledge: AS Unit 2.</i></p> <p><i>Aggregate demand and aggregate supply and their interaction. The application of macro economic policy instruments.</i></p> <p>Up to 2 marks for an understanding of the likely reasons</p> <p>Up to 4 additional marks for an analysis of the likely reasons why China has become one of the fastest growing economies</p>	<p>[6]</p>
<p><b>1(c)</b></p>	<p><b>Comment on the extent to which rapid economic growth, such as that experienced in China, is desirable.</b></p> <p>This question requires candidates to recognise and analyse two different perspectives on economic growth. One is that economic growth brings benefits to an economy. These benefits should be explained and analysed in the context of an economy such as China, in terms of its stage of economic development. Reference could be made to a wide range of benefits: increase in goods and services for consumption; increases in employment and incomes; increases in the general standard of living; facilitates improvements in health and education services through increasing tax revenues; opportunity for income redistribution; improvements in economic welfare. Candidates should explore the relationship between economic growth and development in a country such as China. Implications for measures of economic development – HDI, HPI.</p> <p>The second broad perspective on economic growth should be evaluative and address the <b>extent to which</b> aspect of the question. Discrimination between responses should be on the basis of the quality of the evaluative comment offered by candidates. It is possible that some candidates may restrict their comments to the consequences of economic growth for other economic indicators – typically arguing that desirability depends upon the impact on inflation and the balance of payments. Others may concentrate on the social, environmental, resource and demographic impacts of growth. There is ample evidence to draw upon in the stimulus material in terms of: regional disparities (Extract 1); urban bias, unemployment in rural areas, displacement effect of FDI (Extract 3); infrastructure constraints, congestion, income and wealth inequalities, pollution (Extract 6). For high marks in L4, these negative aspects of rapid economic growth should be treated analytically rather than descriptively. For the highest marks in L4 an explicit consideration of the <b>extent to which</b> should be offered or commentary on the ways in which the costs of rapid economic growth might be addressed.</p> <p><i>Synoptic knowledge: AS Unit 2.</i></p> <p><i>Government economic policy objectives and indicators of national economic performance. AS Unit 1. Market failure and government intervention.</i></p>	

Question Number	Answer	Max Mark
<p><b>1(c)</b> <b>cont'd</b></p>	<p>Level 4      <b>[7-10]</b> For a commentary on the extent to which rapid economic growth, such as that experienced in China, is desirable. Where there is little development of the various benefits or costs of economic growth a mark at the bottom of the level should be awarded. Developed analytical discussion of the benefits and costs of economic growth should be awarded up to 10 marks. Explicit consideration of the <b>extent to which</b> aspect of the question is expected for marks above 8.</p> <p>Level 3      <b>[4-6]</b> For an analysis of either the benefits or costs of economic growth only. A developed analysis of either benefits or costs can gain 6 marks.</p> <p>Level 2      <b>[2-3]</b> For an application of knowledge and understanding, and critical understanding of, either the benefits or costs of economic growth only.</p> <p>Level 1      <b>[1]</b> For knowledge and understanding of the benefits or costs of economic growth.</p>	<p><b>[10]</b></p>
<p><b>2(a)</b></p> <p><b>2(b)</b></p>	<p><b>Explain the functions of the World Trade Organisation.</b></p> <p>The World Trade Organization (WTO) is an international, multilateral organisation, which sets the rules for the global trading system. The WTO aims to increase international trade by promoting lower trade barriers and providing a platform for the negotiation of trade and to resolve disputes between member nations, when they arise. The goal is to help producers of goods and services, exporters, and importers conduct their business.</p> <p>Up to 2 marks for knowledge and understanding of the functions of the WTO. Up to 2 further marks for explanation of its functions.</p> <p><b>Analyse the benefits of international trade for a developing economy, such as China.</b></p> <p>The question draws upon candidates' knowledge and understanding of the benefits of international trade in the context of developing economies. International trade is the exchange of goods and services between countries. Analysis of the benefits of international trade in terms of the theory of comparative advantage can be expected. Candidates should make explicit what the benefits are rather than just recite the theory. The expectation is that candidates should recognise that, in theory, trade raises economic welfare by allowing economies to consume beyond their domestic production capabilities. This happens because trade allows resources to be directed to their most productive uses in terms of relative opportunity costs – resources are allocated optimally. The effect on national GDP is positive because trade permits greater specialisation and efficiency. Other benefits of international trade include: economies of scale through access to global markets; an increase in competition generating greater efficiency, stimulating R&amp;D and encouraging more rapid adoption of new technology; the engine of growth argument.</p>	<p><b>[4]</b></p>



Question Number	Answer	Max Mark
<p><b>2(b)</b> <b>cont'd</b></p>	<p>For marks in Level 3 these benefits should be set in the context of developing economies. For example, economic growth might be constrained by low domestic incomes and the small size of the domestic economy, GDP gains significant from a low base, alleviation of balance of payments constraints on economic development, importance of export earnings given need to import capital, plugging the domestic savings gap etc.</p> <p><i>Synoptic knowledge: AS Unit 2 The International Economy.</i></p> <p>Level 3      <b>[5-6]</b></p> <p>For an analysis of the benefits of international trade for a developing economy, such as China.</p> <p>Level 2      <b>[3-4]</b></p> <p>For application of knowledge and understanding of the benefits of international trade to an economy such as China.</p> <p>Level 1      <b>[1-2]</b></p> <p>For knowledge and understanding of the benefits of international trade.</p>	<p><b>[6]</b></p>
<p><b>2(c)</b></p>	<p><b>Comment on the obstacles faced by economies, such as China, in international trade</b></p> <p>Obstacles to trade can be both external and internal. Candidates are likely to focus on the external obstacles to trade. There should be discrimination between the responses which recognise both internal and external obstacles and those that focus on just one. Obvious examples of external obstacles to trade include tariffs and quotas – the latter being the focus of Extracts 3 and 4. Other valid obstacles might include differences in product standards, discriminatory taxation, import licensing, government procurement policies which favour domestic producers, local content rules, state aid and policies such as CAP. Internal obstacles include lack of finance, lack of appropriate infrastructure, infant industries, lack of economies of scale etc. Obstacles should be explained. For example: tariffs raise price of imports relative to domestically produced goods; quotas limit amount which can be traded and raise price of imports; quotas and licences can be hard to come by due to their scarcity; infant industries are internationally uncompetitive. Commentary on the obstacles could be in the form of the significance of the impact on countries such as China (i.e. a developing economy perspective) or on ways in which obstacles may be surmounted (re-exporting to third country in the case of the Extract material), role of WTO in reducing trade barriers, price vs. quantity considerations (i.e. value vs. volume in the case of quotas).</p> <p><i>Government economic policy objectives.</i></p> <p><i>Synoptic knowledge: AS Unit 2. The application of macro- economic policy instruments, and the international economy.</i></p>	

Question Number	Answer	Max Mark
<p><b>2(c)</b> <b>cont'd</b></p>	<p>Level 4      <b>[7-10]</b> For a commentary on the obstacles faced by economies, such as China, in international trade. Award 7 or 8 marks where the commentary is restricted to China. A wider perspective is required for 9 or 10 marks.</p> <p>Level 3      <b>[4-6]</b> For an analysis of the obstacles faced by economies, such as China, in international trade. For 6 marks there should be a detailed analysis of one method of protection and how this affects an economy such as China.</p> <p>Level 2      <b>[2-3]</b> For an application of knowledge and understanding of the obstacles faced by economies, such as China, in international trade.</p> <p>Level 1      <b>[2-3]</b> For knowledge and understanding of the obstacles faced by economies in international trade.</p>	<p><b>[10]</b></p>
<p><b>3*</b></p>	<p><b>Discuss the extent to which China's rapid economic development will impact on the global economy.</b></p> <p>China's rapid economic development impacts on the global economy through trade, the increased globalisation of economic activity and through the impact on resources and the environment. Candidates should show an understanding of all three of these aspects and be able to analyse the different impacts. Evaluation should flow from the analysis offered and it is expected that it will be developed rather than stated.</p> <p>The rapid development of China increases competition for other economies in global markets. This can be seen in the impact on the textile industry in Ireland in Extract 5. Analytical explanation of the impact could be in terms of impact on AD and the impact on economic growth and unemployment. Multiplier impacts are clearly relevant. Discussion of the impact could consider the extent and significance of job losses, ways in which other economies can maintain competitiveness, opportunities for relocation of production and the consequent distribution of the impact between firms, employees and the government. Some candidates may develop their discussion into areas related to policy responses or to differential impacts on economies at different stages of development.</p> <p>Trade issues could be analysed in terms of the pattern of global trade and the gains from trade. It is important that candidates recognise the benefits to the global economy of greater volumes of trade, although they may wish to comments on the balance of payments impacts for individual economies. Recognition that rapid growth in China provides export opportunities for other economies is important. Discussion could focus on the extent to which the Chinese economy is an open economy. Extract 6 provides valuable context here on the 'opportunities' provided by rapid economic growth in China. Resource and environmental impacts can clearly be analysed using the economics of sustainability.</p>	

Question Number	Answer	Max Mark
3 cont'd	<p>In particular, reference might be made to resource depletion, the impact on energy markets and emissions of CO<sub>2</sub>. Discussion of these impacts could be in terms of a requirement for tougher global action to limit climate change and the need for measure to make growth more sustainable.</p> <p><i>Synoptic knowledge: AS Unit 2. Application of macro-economic policy instruments. The International Economy. AS Unit 1. Market failure and Government intervention.</i></p> <p>Level 4 (a) <b>[16-20]</b>  For a discussion that includes a judgement of the extent to which China's rapid economic development will impact on the global economy to include some reference to sustainability issues.</p> <p>Level 4 (b) <b>[11-15]</b>  For a balanced discussion of the impact of China's rapid economic development on the global economy. A discussion that is not balanced should be awarded a maximum of 13 marks.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 <b>[5-10]</b>  For an analysis of the impact of China's rapid economic development on the global economy.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point if the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 <b>[3-4]</b>  For an application of knowledge and understanding of the impact of China's rapid economic development on the global economy.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 <b>[1-2]</b>  For knowledge and understanding of the impact of an economy's rapid economic development on the global economy.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	[20]
<b>Paper Total</b>		<b>[60]</b>

**Assessment Objectives Grid (includes QWC)**

<b>Question</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>1(a)</b>	4	0	0	0	<b>4</b>
<b>1(b)</b>	0	2	4	0	<b>6</b>
<b>1(c)</b>	1	2	3	4	<b>10</b>
<b>2(a)</b>	2	2	0	0	<b>4</b>
<b>2(b)</b>	2	2	2	0	<b>6</b>
<b>2(c)</b>	1	2	3	4	<b>10</b>
<b>3</b>	2	2	6	10	<b>20</b>
<b>Totals</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>18</b>	<b>60</b>