

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ECONOMICS

2886

ECONOMICS OF DEVELOPMENT

Wednesday

14 JUNE 2006

Morning

1 hour 30 minutes

Additional materials:
8 page Answer Booklet.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
Answer Question 1 and **one** question from Section B.

Write all your answers on 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 quality of your written communication will be taken into account in the marking of your answer to Section B.

This question paper consists of 4 printed pages.

Section A

Answer this question.

1

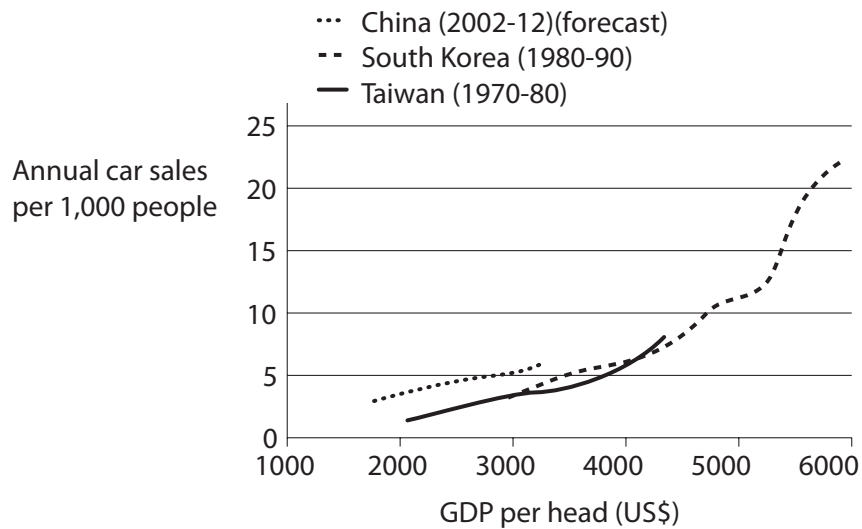
General Motors and the Chinese Car Market

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Details:

An extract about China as an emerging market in the car industry

Fig. 1: Car sales and GDP per head for China, Taiwan and South Korea



The relationship between car ownership and GDP per head in 2001 for four countries at different stages of development is shown in Fig. 2.

Fig. 2: Number of cars and GDP per head in 2001

Country	Number of cars per 1,000 people	GDP per head(US\$)
United States	481	35,200
Taiwan	212	12,660
China	6.7	900
Ethiopia	0.9	100

- (a) Explain **two** reasons why a multinational company, such as GM, might choose to expand in China. [4]
- (b) (i) State **three** economic features typical of the 'Asian Tiger' group of newly industrialised countries. [3]
- (ii) Using Fig. 1, how closely does China's experience of development match that of Taiwan and South Korea? [3]
- (c) With reference to the information provided, comment on China's possible position in Rostow's stages of growth model. [4]
- (d) Discuss the effects that an expanding market for cars might have on a country's economic development. [6]

Section B

Answer one question.

- 2 (a) Explain the limitations of using changes in a country's Gross Domestic Product (GDP) as a measure of changes in its level of economic development. [10]
- (b) Discuss the extent to which the Human Development Index (HDI) is a satisfactory measure of development. [15]
- 3 (a) Explain the importance to a developing economy of:
- multilateral foreign aid into the country and;
 - capital outflows from the country. [10]
- (b) Discuss the view that developing economies may be expected to have current account deficits on their balance of payments for the foreseeable future. [15]
- 4 (a) Explain how the domestic population problems of developing economies weaken their ability to develop. [10]
- (b) Discuss the extent to which international migration is likely to promote economic development. [15]