



**ADVANCED SUBSIDIARY GCE
ECONOMICS**

The National and International Economy

F582

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:

- Calculators may be used.

**Thursday 21 January 2010
Morning**

Duration: 1 hour 30 minutes



Candidate Forename		Candidate Surname	
--------------------	--	-------------------	--

Centre Number						Candidate Number				
---------------	--	--	--	--	--	------------------	--	--	--	--

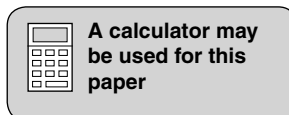
MODIFIED LANGUAGE

INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- 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.
- Do **not** write in the bar codes.
- You should have enough space for your answers but if you need 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 marked for the quality of written communication in question 7.
- This document has **16** pages. Any blank pages are marked.



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.

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

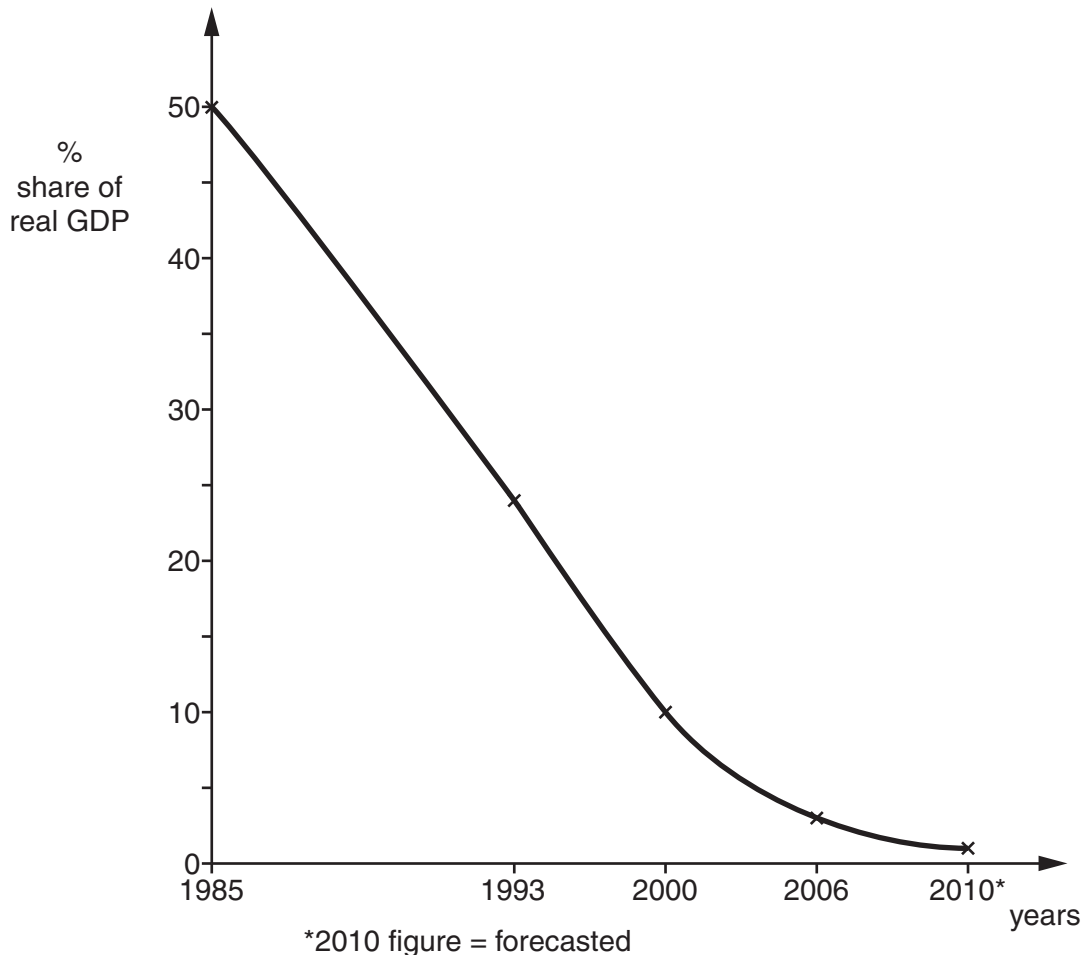
5

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.

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. 10

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. 15 20

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.

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]

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

injection:

.....

leakage:

..... [2]

(b) Define the term 'multiplier effect'.

.....

.....

.....

..... [2]

- 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.



.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
..... [8]

7 Discuss how far a reduction in the rate of interest can increase consumer expenditure and investment. [18]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

A series of 25 horizontal dotted lines spanning the width of the page, providing a template for handwriting practice.

A series of horizontal dotted lines spanning the width of the page, providing a guide for handwriting practice.

A series of 25 horizontal dotted lines spanning the width of the page, providing a template for handwriting practice.

15
BLANK PAGE

PLEASE DO NOT WRITE ON THIS PAGE

PLEASE DO NOT WRITE ON THIS PAGE



Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations, is given to all schools that receive assessment material and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, First Floor, 9 Hills Road, Cambridge CB2 1GE.

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.