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GCSE ECONOMICS

A593/01/SM The UK Economy and Globalisation

STIMULUS MATERIAL

JUNE 2013

PRE-RELEASE MATERIAL FOR 2013 EXAMINATION



INSTRUCTIONS TO CANDIDATES

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INFORMATION FOR CANDIDATES

- The following stimulus material has been adapted from published sources. It was correct at the time of publication and all statistics have been taken directly from the published material.
- This document consists of **12** pages. Any blank pages are indicated.

Progress of the BRICs

BRIC Nations reach 12th birthday

The acronym BRIC was coined by economist Jim O'Neill in a November 2001 paper entitled 'Building Better Global Economic BRICs'.

At the same time, Jim O'Neill made the bold prediction that the BRIC nations – Brazil, Russia, India and China – would overtake the 'western world's' six biggest economies within four decades.

The BRICs formed a powerful bloc, but faced their own challenges amid the global financial turmoil following the recession of 2008.

A Year 11 Economics group was asked to produce a booklet to help the Year 10 Economics students understand and evaluate the progress of the BRICs and globalisation. The information which follows was collected for the booklet.

<p>Brazil</p> <p>Brazil is South America's most influential country, an economic giant and one of the world's biggest democracies.</p> <ul style="list-style-type: none"> • Population: 195.4 million (UN, 2010) • Land area: 8.5 million sq km (3.3 million sq miles) • Monetary unit: 1 real = 100 centavos • Main exports: Manufactured goods, iron ore, coffee, oranges and other agricultural produce 	<p>Russia</p> <p>Russia emerged from a decade of socialist economic and political turmoil to reassert itself as a world power. Income from vast natural resources, above all oil and gas, have helped Russia's economy develop.</p> <ul style="list-style-type: none"> • Population: 140.3 million (UN, 2010) • Land area: 17 million sq km (6.6 million sq miles) • Monetary unit: 1 rouble = 100 kopecks • Main exports: Oil and oil products, natural gas, wood and wood products, metals, chemicals, weapons and military equipment
<p>India</p> <p>India is the world's largest democracy and second most populated country and emerged as a major power in the 1990s. It is militarily strong and has a fast-growing and powerful economy.</p> <ul style="list-style-type: none"> • Population: 1.2 billion (UN, 2010) • Land area: 3.1 million sq km (1.2 million sq miles) • Monetary unit: 1 rupee = 100 paise • Main exports: Agricultural products, textile goods, gems and jewellery, software services, call centres, technology, engineering goods, chemicals and leather products 	<p>China</p> <p>China is the world's most populated country. After stagnating for many decades under communism, China now has the world's fastest-growing economy and is undergoing what has been described as a second industrial revolution.</p> <ul style="list-style-type: none"> • Population: 1.35 billion (UN, 2010) • Land area: 9.6 million sq km (3.7 million sq miles) • Monetary unit: 1 yuan = 10 jiao • Main exports: Manufactured goods, including textiles and garments

Fig. 1 – Country profiles of the BRICs



Brazil
\$10920



Russia
\$19190



India
\$3560

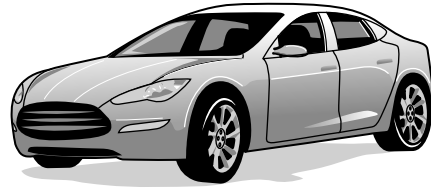


China
\$7570



UK
\$36590

Fig. 2 – Income per capita (US\$): BRICs and the UK (estimated, 2010)



Most major multinational companies are either American, Japanese or Western European. These include Nike, Wal-Mart, Toshiba, Ford and BMW. Many multinational companies have factories in countries with developing economies such as China, India and Brazil.

Fig. 3 – Multinational companies

1990	Developed countries	70%
	China	4%
	India	4%
2000	Developed countries	68%
	China	7%
	India	4%
2010	Developed countries	50%
	China	14%
	India	6%
2016*	Developed countries	45%
	China	18%
	India	7%

**2016 Estimated*

Fig. 4 – Shares of world output 1990–2016

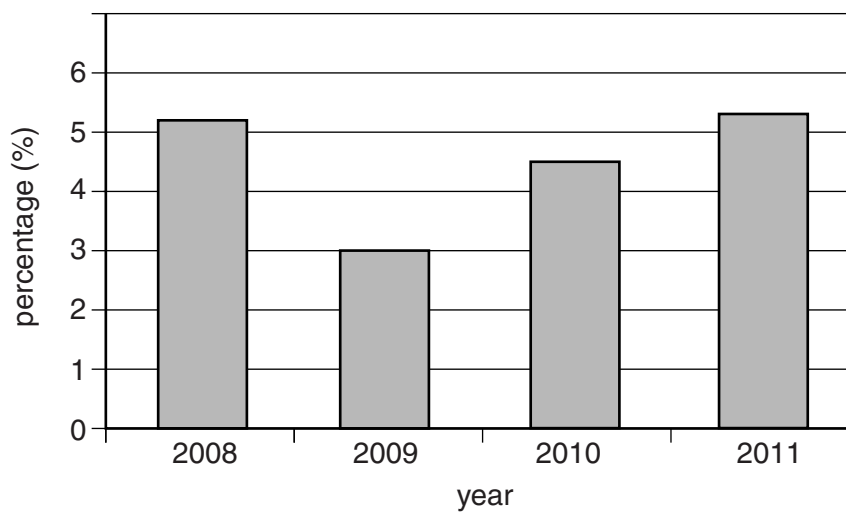
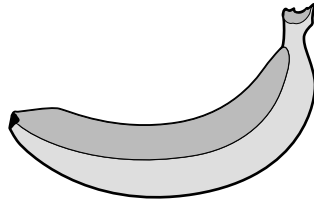


Fig. 5 – Annual increase in the value of goods and services traded globally, 2008–11



The term 'banana wars' refers to a series of trade disputes between the European Union (EU) and several Central and South American countries, including Brazil, concerning selling bananas to the EU.

The disputes surrounded EU tariffs which were imposed on banana imports from countries such as Brazil. There is no duty imposed on bananas imported into the EU from former European colonies in Africa and the Caribbean.

A complaint was brought to the World Trade Organization in 1996. The charge was that the EU was breaking global trade rules by favouring bananas imported from former African and Caribbean colonies of some member states. From 2009, the EU has had to reduce the tariff on bananas from countries such as Brazil.

Fig. 6 – Brazil and the banana wars: protectionism in action

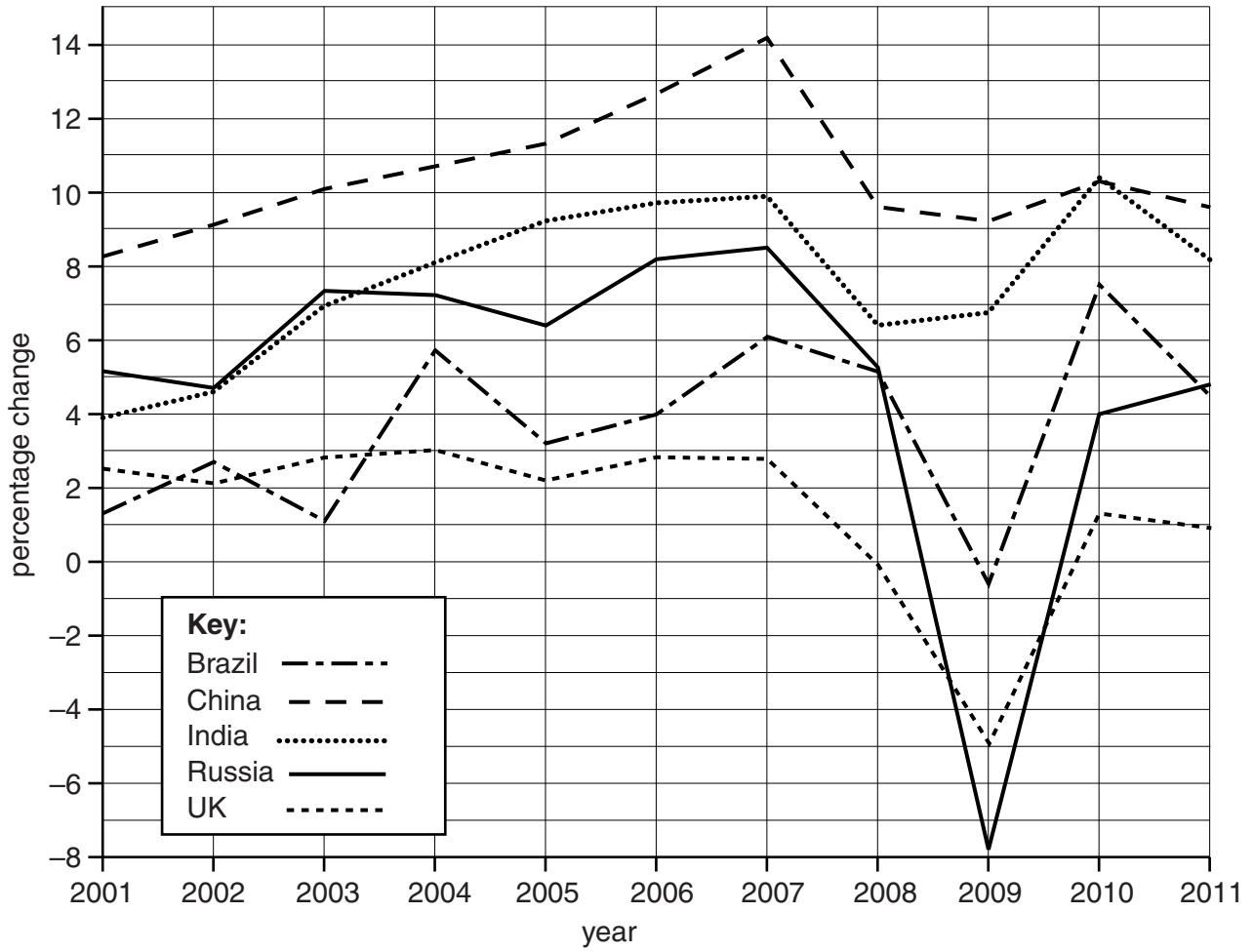


Fig. 7 – Real economic growth rates 2001–11

Gross investment as a percentage of each country's GDP, 2010

China	50%
India	36%
UK	14%

- ✓ China invests heavily in capital investment, although India is catching up
- ✓ China is very strong in the manufacturing industry, while India's strength is in the service sector
- ✓ Both China and India have considerable Foreign Direct Investment (FDI)
- ✓ China has a huge trade surplus through export-led growth, while India's growth is being driven more by domestic consumption

Fig. 8 – Where does growth come from?

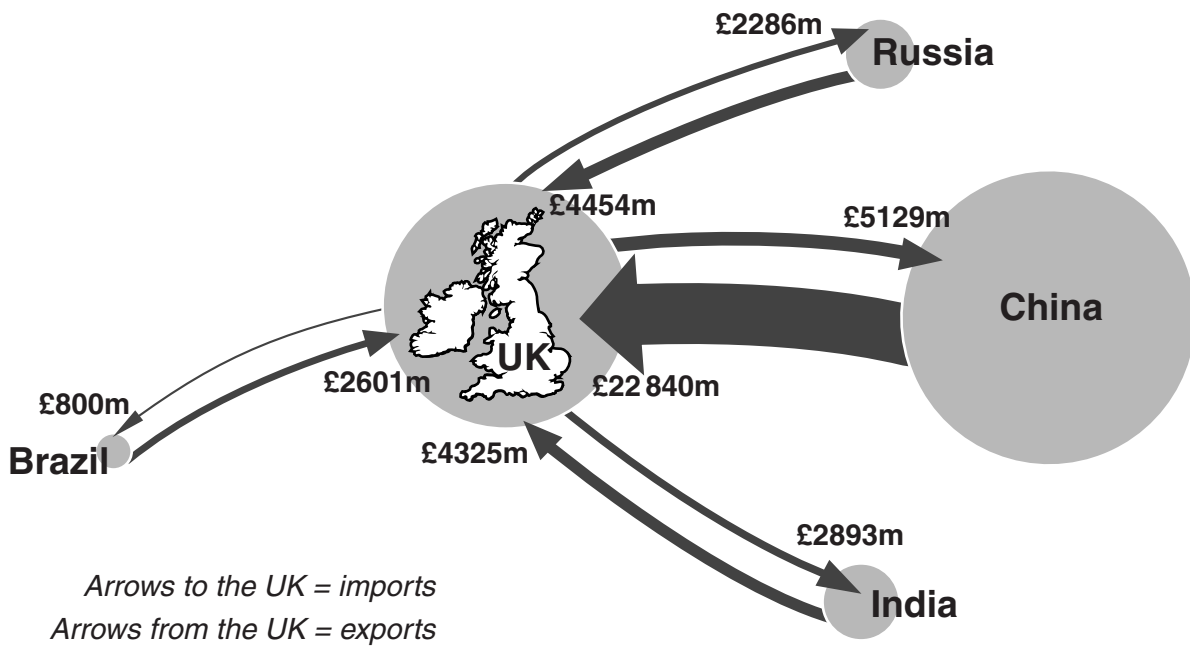


Fig. 9 – UK trade in goods and services with the BRIC nations, 2009

The Confederation of British Industry (CBI) has urged Britain to ‘completely reorient’ its export strategy away from traditional customers in the United States of America (USA) and Western Europe and towards emerging markets such as India and Brazil.

About 4% of British exports, as against 11% of German and US exports, now go to the BRIC countries.

One of the UK’s biggest export markets is the USA, which accounts for 17% of overseas sales.

**Fig. 10 – Newspaper article, November 2011:
‘Exporters must switch focus to BRICs, says CBI’**

Increasing industrialisation across the world and especially in the BRIC countries is having an impact on death rates caused by urban air pollution.

Region	Thousands of Deaths per Year
Established market economies	20
Former socialist economies	200
China	590
India	460
East Asia and the Pacific	150
Central and South America and the Caribbean	130
South Asia	120
Middle East	90
Sub-Saharan Africa	60
World	1820

Fig. 11 – Projected annual deaths due to urban air pollution, total and by economic group or region, 2001–20

Inflation Rates				
	2008	2009	2010	2011
Brazil	5.7	4.9	5.0	6.3
Russia	14.1	11.7	6.9	9.3
India	8.3	10.9	13.2	7.5
China	5.9	-0.7	3.3	5.0
UK	3.6	2.1	3.3	4.2

Unemployment Rates				
	2008	2009	2010	2011
Brazil	7.9	8.1	6.7	6.7
Russia	6.4	8.4	7.5	7.3
India	6.8	10.7	10.8	9.8
China	4.2	4.3	4.1	4.0
UK	5.6	7.5	7.8	7.8

Central Bank Interest Rates				
	2008	2009	2010	2011
Brazil	11.5	10.8	8.8	13.8
Russia	8.3	7.8	8.8	13.0
India	7.5	5.3	3.3	5.0
China	6.6	5.6	5.3	5.3
UK	2.0	0.5	0.5	0.5

Fig. 12 – BRIC countries and the UK key economic indicators, 2008–11

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