Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **October/November 2019**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A
Answer **Question 1**.
Brief answers only are required.

Section B
Answer **one** question.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages and **1** Insert.

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Cambridge Assessment International Education

Section A

Answer **this** question.

1 **China and India: BRICS partners yet competitors**

BRIC is a term referring to the economies of Brazil, Russia, India and China. It originated from Jim O'Neill of Goldman Sachs who predicted that these four countries would be the fastest growing market economies in the twenty-first century and that by 2050 they would be amongst the wealthiest economic powers. South Africa was added to the group in 2010 resulting in them being known as BRICS economies.

It should be stressed that the five BRICS economies are not a formal trading organisation like the European Union, although their leaders do meet annually to discuss global economic issues of common concern and relevance.

Of the five countries, China and India in particular compete with each other in world markets. India is following China in embarking on a policy of growth in its manufacturing industries; it is also a major exporter of agricultural goods to neighbouring countries in south-east Asia.

Table 1.1 below shows that India has experienced the highest rate of consumer price inflation of all BRICS economies since 2008. It has also experienced a rapid deterioration of over 30% in its terms of trade. There are serious doubts over whether Indian products really can compete with those from China in world markets.

Table 1.1: Consumer Prices Index (CPI) for BRICS economies, 2012–15 *(2008=100)*

	2012	2013	2014	2015
Brazil	124.5	131.8	140.2	155.2
Russia	136.0	145.2	156.5	180.8
India	147.7	163.8	174.1	184.4
China	110.9	113.8	116.1	117.7
South Africa	123.9	131.0	130.0	145.4

Source: BRICS Joint Statistical Publications

Fig. 1.2 below shows how China's terms of trade have changed from 2012 to 2016.

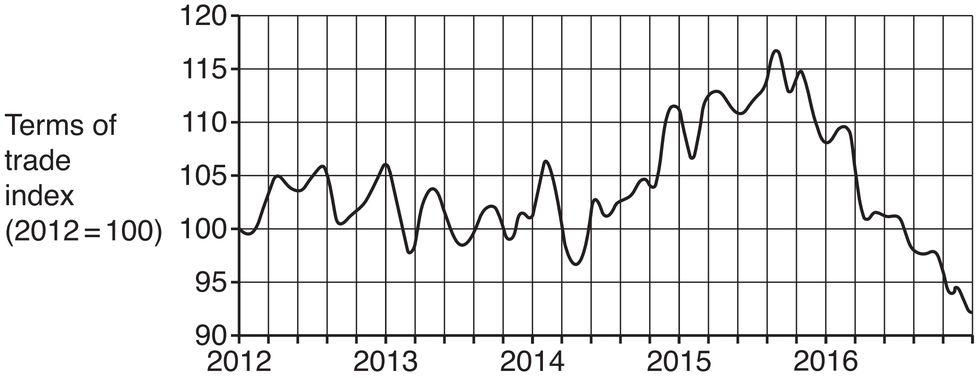

Fig. 1.2: China's terms of trade index, 2012–16

Source: Trading Economics

(a) **(i)** Using Table 1.1, compare the rate of inflation for China and India between 2012 and 2015. [2]

(ii) Explain **two** possible reasons why the CPI might **not** be an accurate measure of inflation in a BRICS economy such as India. [4]

(b) Explain **one** possible aggregate demand reason and **one** possible aggregate supply reason for the differing rates of inflation in the BRICS economies since 2012. [4]

(c) **(i)** Using Fig. 1.2, describe how China's terms of trade changed from the high point in 2015 to the end of 2016. [2]

(ii) Explain **one** possible reason for this change. [2]

(d) With the help of the information, discuss what is likely to be the most important factor that will determine how successfully India can compete with China when trading in world markets. [6]

Section B

Answer **one** question.

2 **(a)** It has been reported that the world demand for chocolate is increasing at a time when the supply of cocoa beans, the raw ingredient required to produce chocolate, is not as large as expected.

Explain, with the help of a diagram, the likely effects of these changes on the world market for chocolate products. [8]

(b) Very high consumption of chocolate can lead to health problems such as obesity and diabetes, especially amongst young children in developed economies.

Discuss what is likely to be the most effective policy to reduce these problems. [12]

3 In March 2017, the Indian government announced a new five year programme of investment in the country's nationalised railway system.

(a) Explain, with the help of an aggregate demand and aggregate supply diagram, how this investment is likely to affect India's output, prices and employment. [8]

(b) Discuss whether a nationalised or a privatised railway system is likely to generate a better market for rail travel. [12]

4 **(a)** Explain the likely causes of a deficit on the current account of the balance of payments for an economy that relies heavily on agricultural products. [8]

(b) The largest economy in the world, the United States (US), records a persistent deficit on its current account of the balance of payments.

Discuss what is likely to be the most effective way to reduce this deficit. [12]