

Section A

Answer this question.

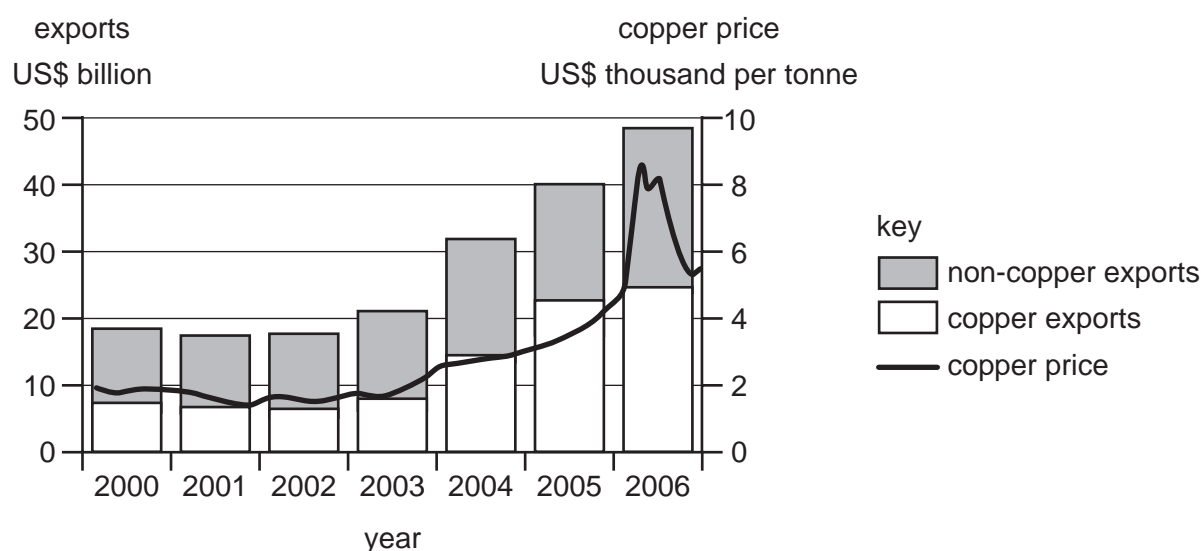
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The importance of copper production in Chile

Chile is a major producer and exporter of copper. For Chile, copper is a vital export and makes a major contribution to its trade. The Central Bank of Chile forecast a visible trade surplus of US\$17 billion for 2006, two thirds higher than in 2005. Changes in world copper prices in 2006, a year of global growth, were an important influence on Chile's trade performance. However, one problem that Chile faced in 2006 was a strike for higher wages and better conditions at Escondida, the world's largest copper mine, where 8 % of world copper was mined.

Figure 1 shows the contribution of copper to Chile's export revenue and changes in world copper prices.

Fig. 1: Chile's export revenue and world copper prices, 2000-2006



- (a) (i) Compare the price of copper in the middle of 2003 and the middle of 2006. [2]
- (ii) Explain **one** change in demand and **one** change in supply that might have caused this movement in the price of copper. [4]
- (b) (i) Calculate Chile's approximate visible trade balance in 2005. [2]
- (ii) What information in addition to that in Fig. 1 would be required to calculate Chile's current account balance in 2006? [4]
- (c) (i) How did the importance of copper as part of Chile's exports change between 2002 and 2005? [2]
- (ii) Discuss whether it is desirable for a country to specialise in the production and export of a single good. [6]