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International General Certificate of Secondary Education

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ECONOMICS

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Paper 3 Analysis and Critical Evaluation

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1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

This Insert contains extracts for Questions 1 and 2.

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This document consists of **3** printed pages and **1** blank page.



Extract for Question 1**The changeable coffee market**

The price of coffee beans can change by significant amounts. At the start of the twenty-first century, the price of coffee fell due to overproduction. In contrast, the price of coffee rose from US\$1.80 per pound (weight) in June 2010 to a record high of US\$3.00 per pound (weight) in May 2011.

Coffee is produced in more than sixty countries. Brazil is the world's largest producer and is expected to overtake the United States of America as the world's largest consumer in 2012. Other major producers are Colombia, Vietnam, Indonesia and Ethiopia.

Coffee growing requires the right amount of rain and the absence of frost and strong winds. The harvest in 2011 was badly affected by weather conditions with, for instance, Brazil, Colombia, Costa Rica, Tanzania and Vietnam experiencing flooding.

Output in Ethiopia was not affected so badly. The country is the birthplace of coffee and Africa's largest producer. More than 15 million people in the country earn their living from growing coffee out of a total labour force of 38 million. Coffee exports account for more than 60% of Ethiopia's export revenue. In 2011, the country produced 300 000 tonnes of coffee.

The high price received from coffee encouraged the country's farmers to plant many more trees which it was estimated would more than double its production in three years' time. Despite the frequent changes in coffee prices, Ethiopian farmers were confident that the increasing consumption of coffee in Brazil, China and India, which resulted in an increase in global demand in 2011, would continue.

Extract for Question 2

Australia's economic record

In recent years, Australia has had a good economic growth record. By 2011, it had experienced two decades of continuous economic growth. Its unemployment rate was low relative to other countries, standing at 5%. A low unemployment rate means that an economy is making good use of its resources.

Australia has rich agricultural resources and a wealth of mineral resources including coal. It is also a major financial centre and most of its 12 million labour force is employed in the services sector. This contrasts with the industrial distribution of the 800 million labour force of Australia's main trading partner, China, as shown in Table 1.

Table 1: The industrial distribution of Australia's and China's labour forces and the industrial sectors' contribution to Gross Domestic Product (GDP) in 2010

		Australia	China
Agriculture	% share of labour force	3.7	53.9
	% share of GDP	3.9	20.6
Manufacturing	% share of labour force	21.2	20.3
	% share of GDP	25.6	41.1
Services	% share of labour force	75.1	25.8
	% share of GDP	70.5	38.3

In part, because of its strong economic performance, Australia was facing a number of challenges in 2011. Its foreign exchange rate rose in value and it experienced a deficit in its trade in goods (visibles). In addition, the country had a government budget deficit despite government expenditure on unemployment benefits being low.

The country experienced net immigration in 2011, as it has throughout most of its recent history. More than 26% of its 22 million population were born abroad.

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