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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.

Anything written on this Insert will not be marked.

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



Extract for Question 1

The growth of world tourism

In 2008 the global tourism industry contributed US\$5.9 trillion to global Gross Domestic Product (GDP) and provided 260 million jobs.

The rise in tourism is coming not only from Europe and the United States (US), but increasingly from China and other Asian economies. At present, for example, the growth in the number of tourists going to India exceeds the growth in the number of Indians visiting other countries on holiday. As incomes rise in India, however, the position may change.

There has been some concern that, particularly with the rise in demand for air travel, the growth in global tourism is harming the environment. Whilst tourism can contribute to greenhouse gas emissions, it can also help countries move towards full employment and increase their GDP. For instance, more than 30% of Dubai's GDP is contributed by tourism and the percentage is rising. To increase earnings from tourism, a government may build roads, railways and airports. Considerable transport infrastructure development has occurred recently in Dubai, including the building of a new airport.

Currently, developed economies receive and provide most tourists (see Table 1). The position, however, is changing and the next few years will see more developing economies becoming main destinations for tourists and main sources of tourists.

Table 1: Highest tourist earners and spenders 2008

Country	Earnings from tourists visiting the country (US\$ billion)	Spending by residents on tourism abroad (US\$ billion)
US	110.1	79.7
Spain	57.8	17.9
France	55.6	43.1
Italy	45.7	30.8
Germany	40.0	91.0
UK	36.0	68.5

Extract for Question 2**Bangladesh's garment (clothing) industry**

The garment (clothing) industry plays a key role in Bangladesh's economy. It employs 3 million workers directly and more than 15 million workers indirectly in, for example, the firms that produce buttons and cotton thread. More than 80% of the workers are female.

The industry produces mainly low-priced garments which have a reputation for value for money. The industry is very cost competitive as both its fixed and variable costs are low. Wages in the industry are below those paid in most other industries in Bangladesh and below those of Bangladesh's main competitors in the garment industry – Cambodia, China, India and Vietnam. Many garment workers in Bangladesh work long hours in poor working conditions. Most of the work is not highly skilled and the number of people seeking work in the industry exceeds the number of job vacancies. The majority of those who are employed are not members of a trade union. The Minimum Wage Board set up by the government provides workers with some limited protection.

Rent paid by the garment factories is also relatively low. Other costs in the industry are kept down by using local materials, which helps to reduce transport and storage costs. The size of the approximately 5000 firms varies, with the largest 500 firms accounting for 74% of exports. Despite the industry using basic technology and being labour-intensive, the larger firms are able to take advantage of some internal economies of scale.

In 2009 exports of garments rose despite a 9% fall in world trade. Bangladesh's total exports rose to US\$14 billion, of which 80% came from garments. Bangladesh benefited from consumers in Europe and the United States (US) switching towards cheaper clothing.

Whether Bangladesh's garment industry will continue to increase its sales will depend on a number of factors.

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