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ECONOMICS

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Paper 3 Analysis and Critical Evaluation

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INSERT

1 hour 30 minutes

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**Rubber production**

Natural rubber is produced in a number of countries, some of which are in south-east Asia. In 2011, Thailand was the world's largest producer, followed by Indonesia and Malaysia. Rubber is used in a range of products including footwear and adhesives but its main use is for making tyres.

In 2010, natural rubber overtook rice as Thailand's most important agricultural export. Most rubber plantations in the country, which produce the sap (latex) that is turned into natural rubber, are on a small scale. Such plantations tend to be relatively easy to set up but a number lack sufficient capital for efficient production. There are, however, many large rubber producing firms, including Thai Hua Rubber, which in 2010 produced 300 000 tonnes of rubber. This was almost 10% of the country's total output of rubber.

In 2011, rubber production in Thailand, Malaysia and Indonesia was reduced by bad weather. A number of owners of small rubber plantations had to take out loans from commercial banks, agreeing to repay when their output increased. Some other owners had to use their past savings, although the average amount of money they had been able to save was not very much.

The year 2011 did, however, provide some cause for optimism among rubber producers. Rising car production was increasing global demand for rubber. This upturn in the market encouraged Thailand to increase the amount of land devoted to growing rubber trees, which take at least five years before they can produce any sap. The rubber producing firms, including Thai Hua Rubber, sought to expand by increasing the size of their factories and by seeking to employ more workers.

As well as the frequent and often large changes in price, the rubber industry faces a number of other challenges. One of these is the increasing competitive pressure from larger Chinese-owned plantations in both Asia and Africa, which are exploiting the advantages of economies of scale. Another is the possibility that human-made (synthetic) alternatives to natural rubber may improve in quality and become more popular.

Extract for Question 2

Cuba moves towards a market economy

A number of changes are affecting the Cuban economy. One is the easing of the United States of America's trade embargo on the country. This was first imposed in 1959. Another is the rise in the retirement age for men from 60 to 65 and for women from 55 to 60. Cuba's population is ageing, which is increasing the cost of state pensions.

A possibly more significant change is the decision by the government to introduce a number of measures which are moving the economy towards a market system. One of these measures is to reduce the number of public sector workers by one million whilst allowing people to be self-employed in a range of activities including taxi driving and hairdressing. The self-employed now have to pay income tax but are now able to employ other workers. The rate of income tax ranges from 25% for those earning 5000 Cuban pesos (US\$225) a year to 50% for those earning more than 50 000 pesos (US\$2250).

Subsidies that kept down the price of basic foodstuffs, including sugar and rice, are being removed. This is not a popular measure but the Cuban Government believes that, in the longer term, allowing a greater role for private enterprise will benefit consumers and improve economic growth.

Table 1 shows Cuba's recent record in terms of economic growth and unemployment. The Cuban Government is keen to increase its economic growth rate. This is, in part, because a slowdown in economic growth can increase unemployment. In 2010, the number of people unemployed in Cuba was 0.1 million.

Table 1: Cuba's economic growth rate and unemployment rate, 2005–2010

Year	Economic growth rate (%)	Unemployment rate (%)
2005	11.2	1.9
2006	12.1	1.9
2007	7.3	1.8
2008	4.1	1.6
2009	1.4	1.7
2010	2.1	2.0

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