Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **May/June 2018**

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.

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Section A

Answer this question.

1 The Trans-Pacific Partnership (TPP) – good or bad?

In February 2016, the controversial TPP trade deal was finally signed at a ceremony in Auckland, New Zealand.

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Imports are mainly vehicle parts, mechanical equipment, petroleum products and a wide range of other non-food items.

Source: New York Times, 2 February 2016

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Table 1.1: New Zealand's total trade in goods, with selected TPP partners and China in NZ$(m), year ended June 2015

	Exports to	Imports from
Australia	8514	6285
US	5483	6081
Japan	2943	3413
Singapore	1078	1801
Malaysia	982	1877
Canada	597	598
China	8267	9332
All other countries	20532	19438
Total trade in goods	48396	48825

Source: Global New Zealand – Investment and Travel Profile, 2015

(a) Use Table 1.1 to help you to answer parts **(i)**, **(ii)** and **(iii)**.

(i) With which TPP member did New Zealand have the largest deficit on its trade in goods in the year ended June 2015? Explain your answer. [2]

(ii) New Zealand's balance of trade in goods plus its services balance was estimated at NZ$2400m for the year ended June 2015. Calculate New Zealand's services balance. [2]

(iii) What **two** other items are needed to calculate New Zealand's current account balance? [2]

(b) Use the principle of comparative advantage to explain why New Zealand is likely to benefit from membership of the TPP. [4]

(c) Explain the likely effects of the removal of protection on the incomes of Canada's farmers. [4]

(d) Discuss whether China joining the TPP would be likely to be of overall benefit to existing TPP members. [6]

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[Turn over

Section B

Answer **one** question.

2 In March 2016, the United Kingdom government announced that it will introduce a 'sugar tax' on the producers of fizzy soft drinks in order to reduce child obesity.

(a) Using an example of each, explain the differences between direct progressive taxes and indirect regressive taxes. [8]

(b) Discuss whether a sugar tax or an educational campaign on healthy eating is more likely to reduce child obesity. [12]

3 In 2015, it was reported that the global demand for chocolate was projected to increase but it was unlikely that the global supply of cocoa beans, required to produce chocolate, would increase.

(a) State and explain **two** factors of production needed for the manufacture of chocolate. Explain the benefits of specialisation in the manufacture of chocolate. [8]

(b) Analyse the likely effects on the global price of chocolate of the reported changes in 2015. Discuss the most effective way that the price of chocolate might be stabilised. [12]

4 **(a)** Explain the main causes of changes in the general price level in your country, or any other country with which you are familiar. [8]

(b) Discuss whether monetary policy alone is the best way for a government to correct inflation. [12]

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