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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ECONOMICS **0455/06**

Paper 6 Alternative to Coursework **October/November 2008**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

* 3 7 5 0 8 1 5 7 6 4 *

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

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

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1 Chocolate and coffee

Extract 1 is from the back of a box of chocolates produced by a UK company called Hotel Chocolat.

'We are still owned and run by the two original founders of the company and have delivered over 2 million products all around the world. We are only a small buyer in the global chocolate market but are concerned with an ethical trading policy. We help fund projects in Ghana – the world's second largest cocoa producing country. We recently provided new, more productive tree seedlings to replace 50 year old stock to enable farmers to earn more through higher yields. We also donate to village schools to ensure children have opportunities through education. The dyes we use to colour the boxes come from the cocoa pods (beans) that we use for the chocolate.'

Extract 2 is from a leaflet produced by the Natural Coffee Company.

The Natural Coffee Company has developed a range of organic coffee selected from farms around the world and chosen for their quality and flavour. The company says 'this enables us to maintain the individual characteristics of the coffee which are often lost when coffee is produced and packed on a large scale. We do not sell our coffee to supermarkets as we prefer to deal with small producers that have limited production. Thus, we can be sure that every pack of coffee meets our high standards. All our coffee is roasted and packed to order so reflecting our personal interest in delivering the product in as fresh a condition as possible.

We bring you the best coffee without damaging the environment and the communities in which it is grown. For example, we trade in Guatemala where a family-run farm of 412 acres gives equal pay for women and pays nearly three times the minimum wage during the coffee season. We also trade in El Salvador where there are 240 members of the Coffee Co-operative. They aim to generate economic growth and social benefits for the community. All members benefit from the profits made. In Peru, we work with 800 co-operatives, employing 4500 people, while in Costa Rica there are 3500 small producers in a co-operative. The organisation has enabled them to support 224 schools in the last 12 years.'

(a) Explain whether there is any evidence in Extract 1 to conclude that Hotel Chocolat is a multi-national company. [3]

(b) Analyse whether the new trees provided in Ghana would necessarily enable farmers to earn more. [4]

(c) (i) Identify from Extract 1 an example of joint supply. [1]

(ii) Product X and product Y are jointly supplied. Suppose a change in tastes causes a decrease in demand for product X. Use demand and supply diagrams to show how this would affect the price and quantity in the market for product X and in the market for product Y. [4]

(d) Consider the evidence in Extract 2 about co-operatives.

(i) Explain what is meant by a co-operative. [3]

(ii) Explain what advantages these co-operatives are said to give. [5]

(e) What else might you need to know in order to decide whether co-operatives are always a beneficial organisation for production? [7]

[Total: 27]

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2 **Economic indicators**

The table gives information on Gross Domestic Product (GDP), industrial production, consumer prices and trade balances for a number of countries in 2006.

	% change on previous year			last 12 months
country	GDP	industrial production	consumer prices	trade balance US$ billions
China	+9.9	+16.2	+0.9	+102.6
Czech Republic	+6.9	+15.1	+2.8	+1.7
Singapore	+8.7	+1.3	+1.8	+31.1
Taiwan	+6.4	+4.4	+1.0	+7.6
Turkey	+7.0	-4.5	+8.2	-43.9

(a) Does the table support the idea that countries should copy China and have a large increase in industrial production in order to achieve a high increase in GDP? [4]

(b) The table shows that the GDP in Singapore increased by 2.3 % more than that in Taiwan. What evidence is there to suggest that the people in Singapore may not feel 2.3 % better off than those in Taiwan? [2]

(c) What else might you investigate to determine whether people in Singapore were in fact better off than people in Taiwan? [7]

[Total: 13]

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