a	(i)	Summarize the growth rates in GDP for selected countries in Table 1.	[2]
		All selected countries are forecasted to experience increase in output/GDP However All selected Asian countries are forecasted to grow faster than all the selected G7 countries. OR However China is forecasted to grow 5 times that of US whilst Singapore is forecasted to grow 6.3 times that of UK and Germany.	
	(ii)	With reference to data, explain one possible reason why growth rates differ from country to country.	[2]
		Differences in investment levels. Observed from Figure 1: Investments as a % of GDP → rising trend for the Asian countries but decreasing trend for G7.Increased investments within China, India and Singapore → implies firms expectations of higher demand for domestic output in the future → increase C and I → increase in AD → hence explains why China, India and Singapore are forecasted to have relatively higher growth rates than UK, US, Germany and Japan.	
	(iii)	Is there enough evidence to support the view that there has been an improvement in the economic situation of Asian countries?	[2]
		Largely insufficient evidence. 1. Data in Table 2 only representative of selected Asian countries 2. Extract 4 suggests that Asian economies are recovering faster from the global downturn→ qualitative nature of data → insufficiency 3. Quantitative indicator such as the forecast GDP growth rates given in table 2 is insufficient as they are forecasted growth rates	
b		To what extent does the data suggest that the Chinese government should allow the currency to appreciate in 2010?	[6]
		Advantages of appreciation: 1. Extract 5 : an appreciation of its currency will help to "lift consumers' real purchasing power"→ Chinese consumers will be able to buy more imported goods and services 2. Appreciation is also needed to discourage excessive investments into manufacturing → loss-made export firms will exit the industry → more resources channelled to other industries, for instance, service industries as quoted in extract 7→ which will help to increase employment of workers 3. Appreciation is also help to "reduce the trade deficit further, alleviate the risk of a protectionist backlash abroad" →in fig 5, trade surplus was accumulating from 2005 to 2008 with the highest trade surplus recorded in mid 2008 Disadvantage of appreciation: 1. Table 2: Fall in trade surplus → extract 6 evidenced that China's exports as a percentage of GDP are 32%→ still relatively reliant on exports earnings as a source of national income → figure 5 showed	

that when yuan appreciated in June 2008, trade surplus started to fall significantly as showed in figure 3

Synthesis/conclusion
Appreciation of Yuan recommended.
➔ Important to improve equity → excessive investment into capital-intensive growth has caused "the share of national income going to households (as wages and investment income) to fall, while the share of profits has risen"
➔ Fall in export revenue is likely to be compensated by the rise in domestic C and I → overall AD will still increase → actual growth maintained. (Extract 4)

c		Identify the two policy approaches suggested by economists for China and discuss whether there is a conflict between them.	
			[8]

Identify the 2 policy approaches:
export-led growth (ext 6)
domestically-led growth (ext 5)

No Conflict:
Target is the same → increase growth.
Explain how Exp MP such as cut in interest rates →domestic led growth
Explain how Exp MP such as devaluation of exchange rate → export led growth
Both policy approaches can help achieve economic growth of China

If the tool involved increase in productivity gains →
Extract 7 → China is also pursuing increase productivity gains → increase productive capacity for China will reduce the likelihood of demand pull inflation → hence enabling China to pursue both domestic demand growth as well as export price competitiveness.

Yes, Conflict
Pursuing domestically-led growth may conflict with export led growth→ Increases in C and I → decrease export-competitiveness of goods and services → X revenue falls → AD falls → offsets the increase in AD caused by domestic demand growth.

Synthesis/conclusion

Overall there isn't a strong conflict between the pursuit of both domestic and external demand for higher growth in China. The key issues raised in the anti-thesis can be easily overcome by SS side policies that focuses on increase the productivity and quantity of resources in China which is what China is currently focusing on. Hence in the future → china can pursue a balance of both export oriented and domestic demand drive growth

d		In light of the issues raised in the data, discuss the desirability of globalisation.	[10]

		Define globalization	
		Advantages and disadvantages of globalisation	
		Desirable	**Not desirable**	
		Increased mobility of goods across economies → greater integration of economies • Globalization → Enables countries to produce goods according to their comparative advantage in production → enable country to consume outside the PPC →Illustrate with PPC diagram • Evidence: Extract 4 – Asia- China – US/Rich country trade relationship – is an example of each country producing a part of the whole process of production according to CA. • In times of strong demand for goods due to higher GDP growth across the world → higher world output, higher domestic economic growth, generate greater employment. • Analyze with AD-AS analysis: Apply to countries in Extract 4: Increase Real output for Asia producing intermediate output, Increase Real output for China producing final goods assembly. **Evaluation:** Beggar thy neighbor effect → many countries can gain	**Globalization –volatility of macro variables** • Evidence: Extract 4 "Hardest hit", "export plunged' , 60% of exports end up in the rich world" implies that the integration of economy lead to dependence on external performance of the economy to determined the achievement of macro aims within a domestic economy. • Evidence Extract 6: Export Led – growth economies will experience greater degree of volatility • Evidence extract 5: china building its domestic engine → need to decrease dependence on external economies → shows less desirability for globalisation To analyze with AD-AS analysis	
		• **Increased mobility of capital (gross fixed capital e.g. machinery, raw materials)** • Evidence: Extract 7: one of the factors that determine longer productivity growth is openness of an economy to FDI • **Use AD-AS framework to analyse.**	• **Globalization – negative implications on government budget position** Evidence: "biggest fiscal stimulus" – in the context of extract 2 – the example of the recent financial crisis required a larger magnitude of increased in G exp in order to increase AD of the economy.	
		• **Increased mobility of labor and other factors of productions across countries** - FOP can now be easily overcome with inflow of labor and capital resource **Evaluation:** ➔ Whilst globalization increases the		

		international factor mobility across economies - it aggregates the negative impact of factor immobility within the domestic economy. The inflow of better quality labor and capital may render some skills redundant and hence local workers become unemployed – the mismatch of skills unresolved will lead to structural unemployment within the country. → Ext 7 "rural to urban areas" movement of workers is not currently taking place in China → could be due to available inflow of foreign labor → hence slows down need to tap on the Chinese labor force → thus slowing down the job opportunities available to Chinese households in the rural areas → reduces their ability to earn wages and hence increase purchasing power and material welfare.		
		Synthesis: Justify whether Globalization on a whole is desirable or not Still desirable as analysed above → <u>Extent of benefits outweighs the costs due to volatility in trade cycles</u> esp for smaller Asian economies (ext 7) all the more there is greater dependence on external demand → hence more desirable for small economies		