

0656D

Year 2004 Paper 9079/02 - Data Response and Case Study

General comments

This was the second year that a paper had been set in this format, and there was considerable evidence that candidates were adjusting to the demands of the new case study question. The data response was done well by most candidates, although the more technical parts of the question proved difficult for some. In addition, some candidates used their time unwisely and gave very unbalanced answers that paid little attention to the mark allocation for each question. Typically, they gave a very long and often descriptive answer to the final part of the data question and then had insufficient time to complete the case study in enough depth to do well. On the other hand, a pleasingly large number of candidates judged the demands of each question well and as a result they had sufficient time to provide a very thorough and thoughtful set of answers to the case study, displaying the full range of those skills that this type of paper is designed to test. As a result they scored well.

Case Study: Question 2

(a) In order to score well on this question, it was necessary to outline the underlying principles of trade and then, after considering the evidence in the data, make a judgement on the assertion that free trade would have disastrous effects for the developed economies. Trade takes place because of different factor endowments in countries and regions across the world. As a result the opportunity cost of producing goods and services differs, and the law of comparative advantage shows that all will benefit through specialisation and trade. Trade also allows for a wider variety of goods and services to become available and encourages greater efficiency in production through the utilisation of economies of scale and the positive effect of increased competition on company performance.

In order to reconcile the positive effects of trade and the supposed negative effects of the rise of the Asian tigers on the developed economies, candidates needed to grasp the idea that the distribution of comparative advantage can change as the quantity and quality of factors change. For example, the quality of labour in Southeast Asian economies, together with lower wage rates, means that labour-intensive forms of production now have a lower opportunity cost in Southeast Asia compared to the West. The evidence in the data confirmed this. The law of comparative advantage suggests that resources would be more efficiently distributed, therefore, if Western economies were re-structured, and resources diverted into more capital-intensive production. From this perspective, the rise of the Asian tigers was not disastrous, but consistent with the law of comparative advantage and efficient resource distribution across the world. The prediction would be that all would benefit. The Western economies would bear some re-structuring costs but would benefit in the long run. Candidates who provided answers along these lines gained a high (Level 3) mark. Others failed to score well because they did not provide an explanation of the underlying principles of trade or did not fully appreciate the issue of resource allocation at the heart of this question.

(b) Those candidates who scored well on this question appreciated the relationship between the question and the overall case study. Those who treated this question in isolation from the overall issues raised in the data did less well. This was more than a comprehension exercise. Those who simply summarised winners and losers, as indicated in Extract 2, usually failed to gain a mark in Level 3. Successful candidates were able to go beyond a simple summary of Extract 2. They saw the significance of the protectionism in terms of the advantages of free trade outlined in their responses to (a). Using this idea, they were able to predict that although there are clearly identified winners and losers in the short run, in the long run all would lose since free trade was not allowed to operate, and result in the most efficient allocation of the world's resources and maximum welfare. A few gave rather unconvincing justifications of protectionism, some claiming, for example, that the tariffs were necessary to protect the steel industry in the USA because this was an infant industry.

(c) Most candidates had a good grasp of the concept of globalisation, together with an appreciation of its opportunities and threats. To score well, however, it was necessary to make good use of the data and to consider not only Singapore, but also the other Southeast Asian economies. It was then necessary to make a reasoned judgement of whether the opportunities were, on balance, greater than the threats. Weaker candidates often provided a narrow discussion that focused mainly upon the benefits of free trade for Singapore, and made little use of the data. Better answers had a wider concept of globalisation and considered the impact upon Singapore and other economies in the region, making good use of the full range of the data provided. A disappointing number of candidates gave a rather brief answer here despite the high mark allocation.