

Economics B
Advanced
PAPER 3: The economic environment and business

Data Booklet

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
Centre Number					
Candidate Number					

INSTRUCTIONS

There may be spare copies of some data sheets in case you need them.

THIS DATA BOOKLET *MUST* BE RETURNED WITH THE QUESTION PAPER AT THE END OF THE EXAMINATION.

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SECTION B

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Extract A

“GDP measures what GDP is supposed to measure. But it doesn’t count everything that counts.”

Matthew Yglesias

Extract B

Why is the yuan's exchange rate with the US dollar important?

The US dollar/Chinese yuan exchange rate is an indicator of relative economic strength and has a direct impact on each nation's economy by affecting the value of imports and exports. In general, a stronger exchange rate makes a country's exports more expensive and makes imports, cheaper.

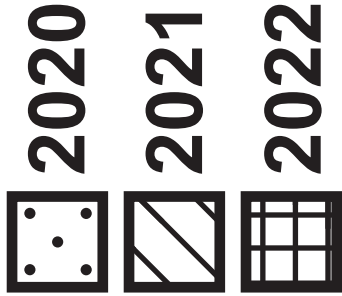
A weaker yuan against the US dollar would generally make Chinese goods exported to the US cheaper, increasing demand, while making US exports to China more expensive, reducing demand. As a result the US trade deficit would likely widen. A stronger yuan against the US dollar would have the opposite effect.

Extract C

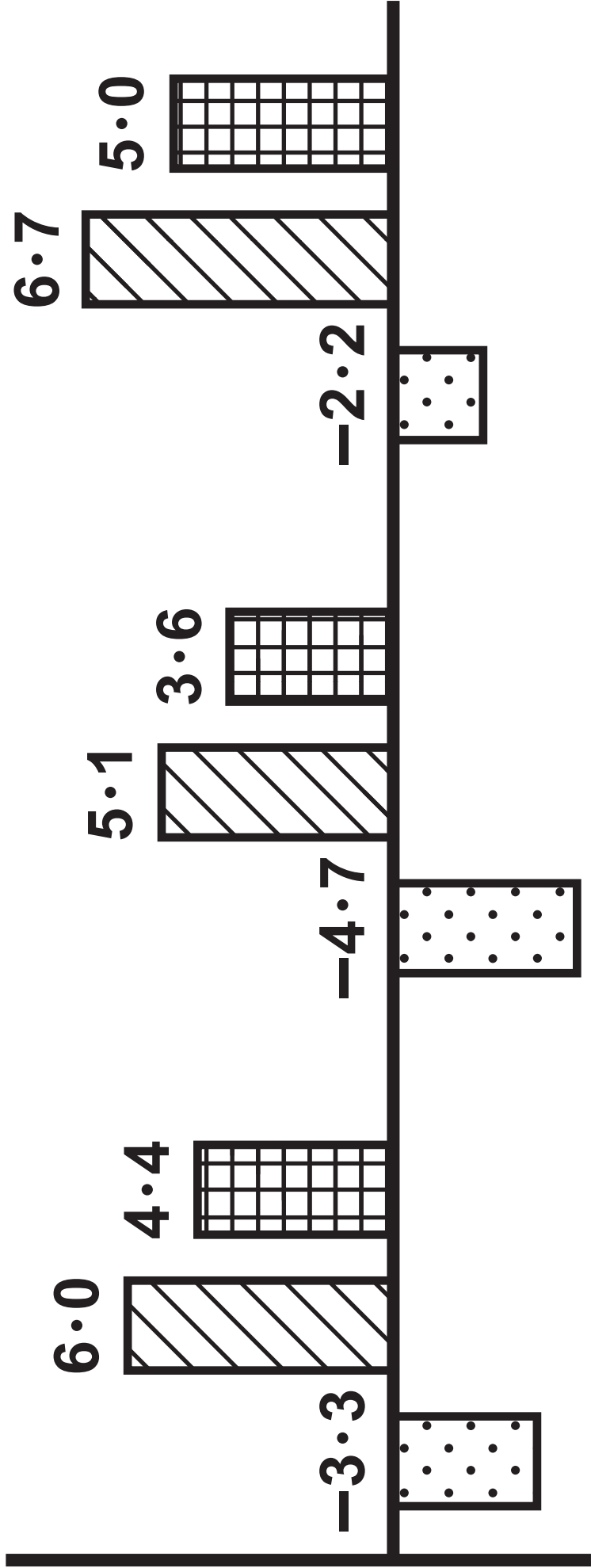
Global growth to accelerate

World Economic Outlook April 2021 Growth Projections

KEY:



Global economy
Advanced economies
Emerging markets & developing economies
% growth



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Extract C continued.

The International Monetary Fund (IMF) has predicted that economic growth is likely to increase throughout **2021** and reach **6%**. It is then expected to fall to around **4%** in **2022**. A report by the global investment bank, **5 Credit Suisse**, says that the predicted economic growth will be led by vaccine rollouts, expansionary fiscal policies and a broadening services recovery.

The United States (US) is planning a **\$1·9** trillion borrowing and spending fiscal policy to help the **10** economy recover and create many new jobs. However, **Credit Suisse** warns that the risk of inflation is increasing and that the Federal Reserve may have to increase interest rates in **2023**. **Credit Suisse** noted that fiscal policy in Europe had also been expansionary **15** and that government support programmes were expected to continue until the end of **2021** to help private sector firms recover.

Extract D

‘Hidden cost’ of energy and transport could add up to \$25 trillion, research estimates

The ‘hidden cost’ of the world’s largely fossil fuel–based energy and transport systems could add up to around
5 **\$25 trillion (£18 trillion) – the equivalent of more than**
a quarter of the world’s entire economic output. That
is according to new research in the journal **Energy**
Research & Social Science. This estimates the
hidden environmental, social and health costs associated
10 with different forms of transport and electricity generation.

The researchers say there are many negative externalities associated with these systems, that occur from production to end use. For example, the burning of fossil fuels for electricity generation not only drives damaging
15 climate impacts, such as more frequent and severe
extreme weather events, but also deadly air pollution.

Global reliance on petrol and diesel vehicles is also fuelling climate change and air pollution, as well as an increased strain on our health systems through car
20 accidents.

Extract E

What Germany can teach us about renewable energy

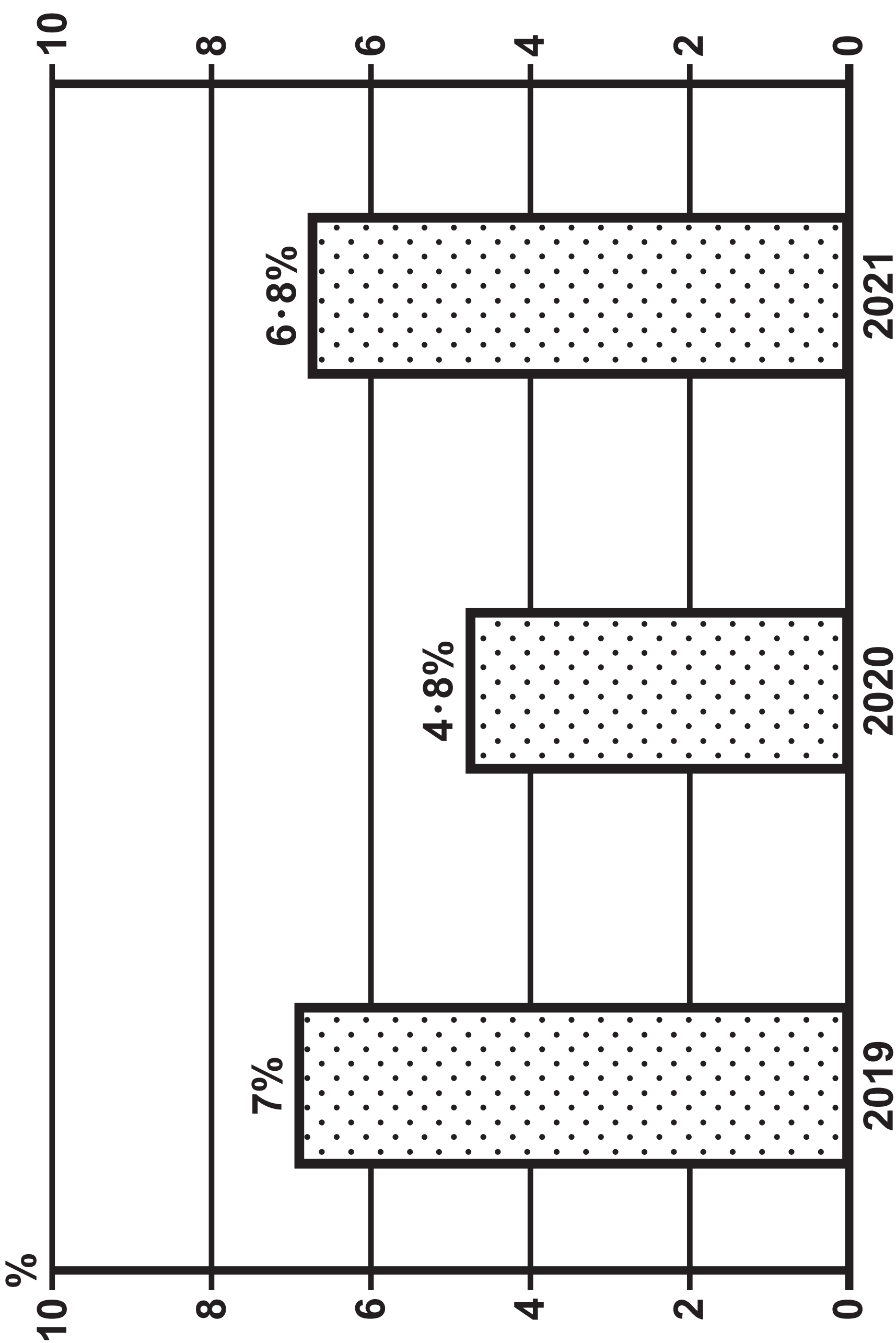
At the 12th Annual Petersberg Climate Dialogue conference in 2021, German Chancellor Angela Merkel
5 urged all governments to continue investing to protect the climate. Over the past 20 years, Germany has embarked on a remarkable transition from coal and nuclear energy to renewable energy sources. The set of policies to encourage this rise of green energy is known
10 as **energiewende** (energy transition).

It has been expensive. Germany has spent a great deal of money on **energiewende** policies. This included billions for public transport development and aid for electric vehicles, as well as more spending on renewable
15 energy infrastructure. Local and community projects like energy cooperatives have increased by 800% and it has created hundreds of thousands of jobs in the renewable sector. Nearly 50% of Germany's energy consumption now comes from renewable sources.

20 **Energiewende** is not without its downsides. Energy costs remain higher in Germany than other similarly developed nations due to the tax on electricity consumption. But this both reflects the negative externalities of energy production and encourages
25 consumers to use energy more efficiently – from cutting out wasteful uses to buying more efficient appliances.

Extract F

GDP Growth Rate of Vietnam 2019–2021



Extract G

How does Vietnam benefit by joining the Regional Comprehensive Economic Partnership (RCEP)?

In November **2020**, the RCEP was signed in Hanoi,
5 Vietnam after eight years of negotiations. Its **15** members
are Australia, China, Japan, New Zealand, South Korea,
plus **10** members of the Association of Southeast Asian
Nations (ASEAN): Brunei, Cambodia, Indonesia, Laos,
Malaysia, Myanmar, the Philippines, Singapore, Thailand
10 and Vietnam.

Once agreed by all its members it will form the world's
largest trading bloc, with a market of **2·3** billion people
and **US\$26·2** trillion in global output.

The World Bank forecasts that countries in the RCEP will
15 see GDP increase by **1·5%** and that the deal could add
almost **US\$200** billion to the global economy by **2030**.

As Vietnam moves to become a high-tech manufacturer,
the RCEP would help it to access large consumer markets.
Vietnamese firms would be able to increase exports
20 and Vietnamese consumers would be able to access
high-quality goods.

Nevertheless, analysts have also noted that once the RCEP
takes effect, Vietnamese firms would face competition both
domestically and for export markets as well.

Extract H

Foreign Direct Investment (FDI) in Vietnam: A Year in Review and Outlook for 2020

In the first **11** months of **2020**, foreign investors invested **US\$17** billion in Vietnam. As of November **2020**,
5 there were **109** countries with investments in Vietnam. Singaporean firms have invested the most with just over **\$8** billion.

Top 5 investors in Vietnam, November 2020		
	Number of new projects	Total investment in dollars (\$ billion)
Singapore	225	8·07
South Korea	573	3·70
China	311	2·40
Japan	251	2·10
Taiwan	115	2·00

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Extract H continued.

In early **2020**, Chinese firms negotiated and gained approval for more major projects in Vietnam. Japanese
10 multinational corporations (MNCs) such as **Toyota**,
Honda, **Canon**, and **Sumitomo** have historically had a presence in Vietnam. Newer Japanese firms such as
AEON, **Uniqlo**, and **Mizuho** have recently expanded their presence in the Vietnamese market, attracted by the
15 investment climate and Vietnam's participation in regional trade agreements.

Extract I

Association of Southeast Asian Nations (ASEAN) economies poised for robust recovery with 6% real GDP growth in 2021, says GlobalData

- 5 Despite the contraction in real GDP in 2020 due to the global health crisis, ASEAN countries are expected to witness a sharp recovery in 2021.**

A report from GlobalData said that trade among ASEAN nations is expected to increase in 2021. This has been
10 encouraged by reduced protectionist measures and the signing of the Regional Comprehensive Economic Partnership (RCEP) in November 2020.

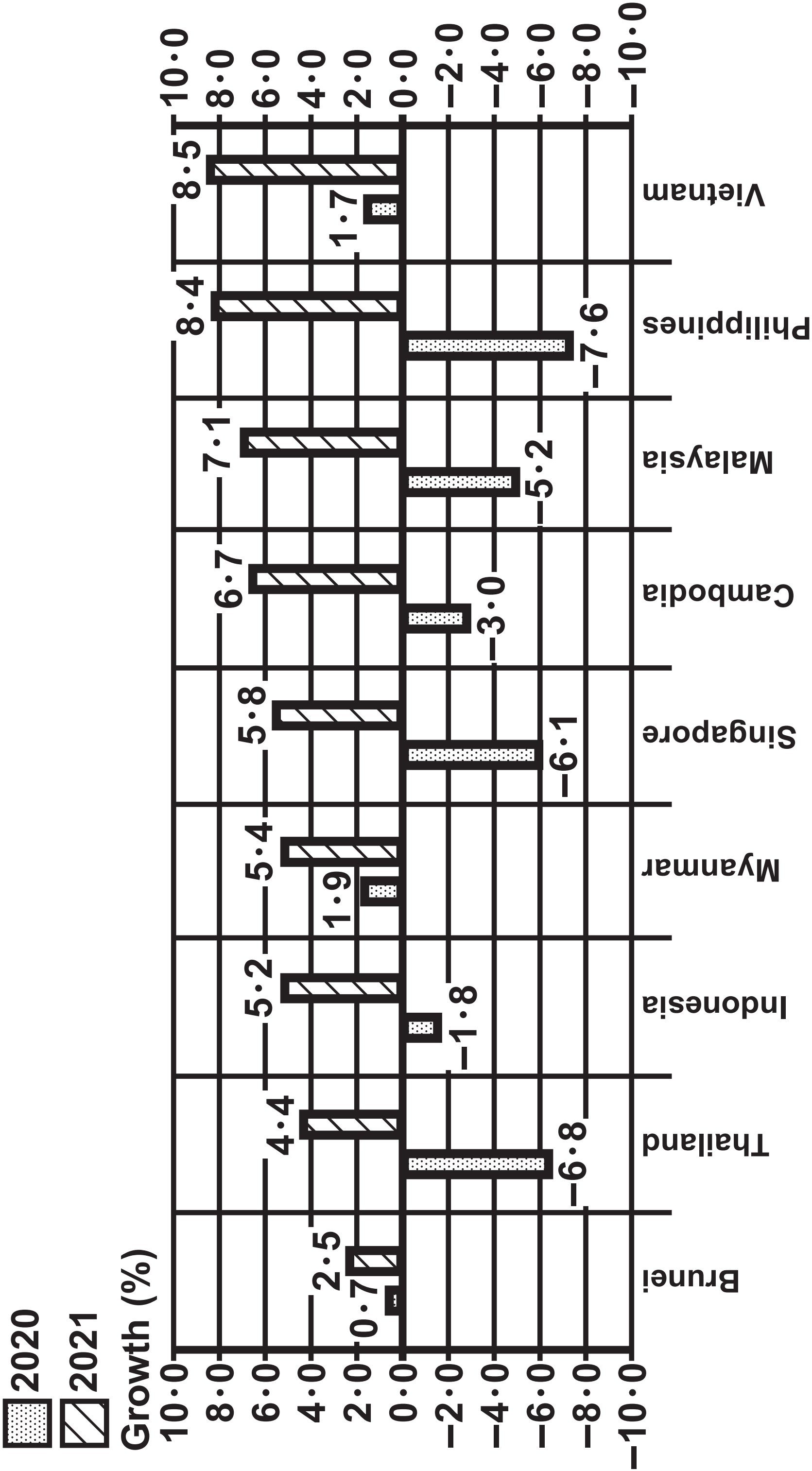
The six largest ASEAN nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) are all
15 expected to have positive GDP growth rates in 2021.

GlobalData forecasts Vietnam to be the fastest growing economy with a real GDP growth of 8.5% in 2021.
Vietnam's growing trade with the EU and its robust fiscal policies, have helped its economy to experience an
20 increase in the growth of the manufacturing and service sectors.

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Extract I continued.

Real GDP growth (%) forecast for 2021 in ASEAN countries



Sources

Extract A

(Source: adapted from <https://www.weforum.org/agenda/2015/06/a-partial-defense-of-gross-domestic-product>)

Extract B

(Source: adapted from <https://www.scmp.com/economy/china-economy/article/3109340/us-dollar-yuan-exchange-rate-what-it-and-why-it-important>)

Extract C

(Source: adapted from <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>)

(Source: adapted from <https://www.wealthbriefing.com/html/article.php?id=191680#.YNhJaTZKhVo>)

Extract D

(Source: adapted from <https://www.independent.co.uk/climate-change/news/energy-transport-cost-fossil-fuels-b1805808.html>)

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Sources continued.

Extract E

(Source: adapted from <https://slate.com/technology/2021/05/germany-renewable-energy-energieewende-feed-in-tariffs-nuclear.html>)

Extract F

(Source: adapted from <https://www.vietnam-briefing.com/news/vietnams-economy-grow-fastest-southeastasia-despite-covid-19.html/>)

Extract G

(Source: adapted from <https://www.vietnam-briefing.com/news/how-does-vietnam-benefit-by-joining-rcep.html/>)

Extract H

(Source: adapted from <https://www.vietnam-briefing.com/news/fdi-in-vietnam-year-in-review-and-outlook-for-2021.html/>)

Extract I

(Source: adapted from <https://www.globaldata.com/asean-economies-poised-robust-recovery-6-real-gdp-growth-2021-says-globaldata/>)