

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						4	3	5	0	/	0	3	Signature	

Paper Reference(s)

**4350/03**

# London Examinations IGCSE

## Economics

### Paper 3

Common to both tiers

Tuesday 15 June 2010 – Morning

Time: 1 hour plus reading time of 10 minutes

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
5	
<b>Total</b>	

**Materials required for examination**

Calculator

**Items included with question papers**

Nil

### Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initials and signature. Check that you have the correct question paper.

Answer ALL the questions. Write your answers in the spaces provided in this question paper.

**The sources which you have studied when preparing for this examination are printed at the end of this examination paper. You have 10 minutes to read the questions and think about how to use the sources to answer them. You must NOT bring your own copy of the sources or any notes you have made into the examination.**

### Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).

There are 5 questions in this question paper. The total mark for this paper is 40.

There are 12 pages in this question paper. Any blank pages are indicated.

Calculators may be used.

### Advice to Candidates

Write your answers neatly and in good English.

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*Turn over*

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You have been asked to write a report on whether or not your government should be concerned by the world food situation.

At the end of the paper are six sources of information on the subject of the world food situation. The report has been divided in the paper into a series of tasks. Use the information, together with your knowledge and understanding of economics, to answer questions 1–5.

- You should use economic concepts and terms.
- You should use diagrams, graphs or tables where you think they are appropriate. (Use the extra sheets provided if necessary.)
- You should refer to the sources in your report, but do not spend time copying large amounts from the sources.

1. (a) Using Source A, which country had the greatest positive trade balance in food?  
 ..... (1)

(b) Using Source A, which country had a negative trade balance in food?  
 ..... (1)

(c) Using Source A, which country imported the greatest value of food?  
 ..... (1)

(d) Explain why countries both export and import food.  
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 ..... (4)

(Total 7 marks)

Q1

□



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2. On the diagram below, draw and label supply and demand curves to show how a sharp rise in world food prices could have been caused.



(Total 5 marks)

Q2



3. (a) Using Source C, explain **two** reasons why food prices have increased.

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(b) With reference to the sources, examine the possible effects of a rise in world food prices on the people of your country.

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(6)

(Total 12 marks)

Q3

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4. Recommend policies to deal with rising food prices in a country of your choice. Give reasons for your answer.

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(Total 8 marks)

Q4



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5. Should the country of your choice adopt protectionist measures to protect its food supplies? Justify your answer.

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Q5

(Total 8 marks)

**TOTAL FOR PAPER: 40 MARKS**

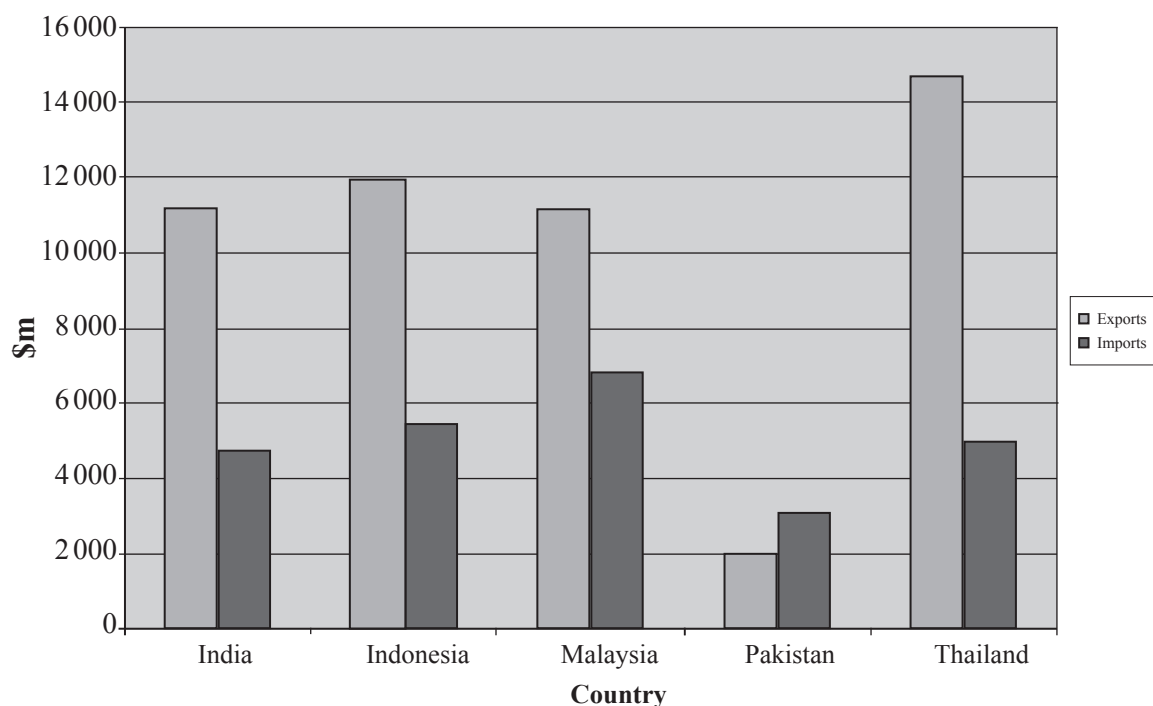
**END**



## SOURCES

### Source A

**Value of Export and Import of Food**



Source: www.wto.org

### Source B

#### **Prices are higher than they have been in decades**

Between 1974 and 2005 the real price of food fell by 75%. Since 2005 they have risen by 75%. The years of falling food prices were good for consumers, but not so good for farmers. The task now for governments is to help farmers take advantage of higher prices to increase productivity and their living standards while protecting the poor.

Around 2.7 billion people live on less than \$1 a day while the price of basic foods has risen by as much as 300%. The world's poorest people are being forced into choices no one should have to make: parents taking their children out of school; farmers being forced to migrate to cities to live in slums; eating less and lower quality food. Women are especially vulnerable because they rarely own land and have limited access to credit and other services, but they bear much of the responsibility for feeding and caring for families.

Source: [http://www.opendemocracy.net/article/globalisation/the\\_price\\_of\\_food\\_ingredients\\_of\\_a\\_global\\_crisis](http://www.opendemocracy.net/article/globalisation/the_price_of_food_ingredients_of_a_global_crisis)





### Source C

#### Causes of rising world food prices

The causes of rising world food prices include:

- growing global demand particularly from large, emerging economies of China and India where incomes have risen quickly
- growing global demand for products like meat, e.g. consumption of meat in China has more than doubled since 1990
- high oil prices that have made it profitable to grow crops for biofuel production rather than food
- high oil prices that also make it more expensive to operate farm machinery and to transport agricultural products
- high oil prices leading to a rise in the cost of petroleum-based fertiliser
- unpredictable weather, e.g. drought in Australia, one of the world's largest wheat producers, and floods in West Africa and Mozambique, leading to a cut in agricultural production
- expectations of higher food prices encouraging speculation in commodity markets which leads to further price increases
- years of under-investment in agriculture in poorer countries
- unfair trade rules and farming policies that benefit rich countries.

Overall, this has meant that the increase in demand for food has greatly exceeded supply.

Source: [www.opendemocracy.net/](http://www.opendemocracy.net/) and [www.oxfam.co.uk](http://www.oxfam.co.uk)

### Source D

#### Policies to deal with the food crises

Rich countries should:

- give more money to poor countries to help reduce the shock of high food prices
- review their targets for biofuels, which compete against food and animal feed crops
- provide cash for governments and aid agencies to buy food locally rather than providing food aid.

Poor countries should:

- allow price signals to reach small-scale farmers so they have an incentive to respond to market forces
- invest in agriculture and infrastructure to help put small farmers in a better position to benefit from higher prices
- improve services like research and development and veterinary services.

Many economists believe that the real solution for developing countries lies in improving agricultural productivity.

Source: [www.oxfam.co.uk](http://www.oxfam.co.uk)



**Source E**

**Rising Food prices: Bad or Good?**

Many people have suggested that sharply rising food prices will have negative effects on people such as:

- increase in poverty
- inability of women to feed their children
- rise in crime rates.

Other economists have pointed to the positive effects:

- a rise in farmers' incomes and standards of living
- an increase in the number of people staying on the land rather than moving into the towns
- greater demand for locally grown food.

The effects may vary, from country to country, depending on a wide variety of economic, political and social factors.

Source: [www.opendemocracy.net/](http://www.opendemocracy.net/) and [www.oxfam.co.uk](http://www.oxfam.co.uk)

**Source F**

**Free Trade or Protection**

Free Trade appears to be in retreat. Governments are taking an increasing role in regulating markets while the Doha trade talks have failed to make progress.

Those who favour protection argue that:

- governments must be allowed to implement policies that strengthen domestic food and agricultural systems
- protection should be introduced against subsidised foods from developed countries which undercut local producers
- global competition rules need to be introduced to prevent multinational companies from abusing their market power.

Free Traders argue that:

- the high growth rates of some developing economies have been the result of globalisation
- freer access to markets in developed countries can help promote Africa's trading prospects and reduce poverty
- governments in developing countries should concentrate on supply-side policies instead of raising barriers to trade.

Source: <http://www.peopleandplanet.net/doc.php?id=3296>



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