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**ECONOMICS**

**9708/02**

Paper 2 Data Response and Essay

**For Examination from 2016**

SPECIMEN PAPER

**1 hour 30 minutes**

No Additional Materials are required.

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**READ THESE INSTRUCTIONS FIRST**

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

**Section A**

Answer this question.

Brief answers only are required.

**Section B**

Answer any **one** question.

The number of marks is given in brackets [ ] at the end of each question or part question.

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This document consists of **4** printed pages and **1** insert.

## Section A

Answer this question.

### Palm Oil Production

- 1 Palm oil is used in the production of many goods, including cooking oil, margarine, ice cream, soap, shampoo and more recently fuel for vehicles. It competes with other vegetable oils, made from soya beans, rapeseed, sunflowers and groundnuts. While palm oil production takes up 6% of the land used for vegetable oil plants across the world, it produces 38% of the total output of vegetable oil globally and accounts for 60% of world exports of vegetable oil.

Palm oil is produced from the flesh of the palm fruit and, at the same time, palm kernel oil is produced from the kernel or seed. After the extraction of the oils the waste is turned into palm kernel cake that is then sold for animal feed.

In Malaysia the palm oil industry employs 570 000 people of which 405 000 are engaged in cultivation.

**Table 1: Value of Malaysian Trade in Malaysian Ringgitt (RM) million**

	2009	2010	2011	2012	2013 (Jan–Aug)
Palm Oil Exports	36.9	44.9	60.5	53.0	29.1
Total Exports	553.3	639.4	697.9	702.2	461.4
Total Imports	434.9	529.2	524.3	607.4	426.9

(Source: *Department of Statistics, Malaysia*)

Malaysian palm oil production could hit a new record high by the end of 2013. Palm oil stocks rose to a peak in September 2013 as strong seasonal output outweighed rising export demand, lowering prices that had already fallen by about 5% this year.

Forecasts of growing Southeast Asian output alongside rising supply of competing global oilseeds dragged the price of palm oil down by 3.5% in September. Prices may fall further if the soya crop in South America is as good as expected. A lower price of soya beans for crushing into rival soya oil could take demand away from palm oil.

The strength of the Malaysian ringgitt could also continue to limit exports of palm oil. Indonesia, the world's largest producer of palm oil, will keep its export tax for palm oil at 9%, while Malaysia has decided to keep a more competitive export duty of 4.5%.

- (a) With reference to Table 1 compare Malaysia's trade balance in 2011 and 2010. [2]
- (b) Analyse, with the aid of diagrams, the impact of an increase in demand for palm oil on the markets for palm oil and palm kernel cake. [5]
- (c) How could the concept of elasticity be used to measure the economic relationship between palm oil and soya oil and what would the measurement show? [3]
- (d) Discuss **one** demand factor that might explain the change shown in Table 1 in the value of Malaysia's palm oil exports in 2012 compared with 2009. [4]
- (e) Explain **two** policies that the Malaysian government might adopt to reduce the problems associated with a falling price of palm oil and justify which of the two policies you would recommend. [6]

**Section B**

Answer **one** question.

- 2 (a) With the help of a diagram, explain how a production possibility curve can illustrate the concepts of opportunity cost and economic growth. [8]
- (b) Discuss whether free market economies or centrally planned economies are more likely to make choices that will maximise the benefits for consumers. [12]
- 3 (a) Define the components of aggregate demand and, with the help of a diagram, explain how an increase in spending in an economy might result in inflation. [8]
- (b) If an economy is experiencing inflation, discuss the view that its government should be more concerned about the external effects of inflation than its effects within the domestic economy. [12]
- 4 (a) Explain the meaning of the term 'protection' in the context of international trade and describe **two** methods of protection used by governments. [8]
- (b) Discuss, with examples, how international trade protection may affect consumers and producers in an economy and to what extent protection can be justified. [12]

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*Copyright Acknowledgements*

Question 1 © adapted: *Palm oil the sustainable oil*; September 2009; [www.worldgrowth.org](http://www.worldgrowth.org); 8 March 2011.

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