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**GLOBAL PERSPECTIVES AND RESEARCH**

**9239/12**

Paper 1 Written Examination

**October/November 2018**

**1 hour 30 minutes**

INSERT (RESOURCE BOOKLET)

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**READ THESE INSTRUCTIONS FIRST**

This Resource Booklet contains Documents 1 and 2 which you should use to answer the questions.

You should spend approximately 10 minutes reading the documents before attempting to answer the questions. This is allowed for within the time set for the examination.



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This document consists of **3** printed pages and **1** blank page.

The documents below consider issues related to ethical foreign policies. Read them **both** in order to answer **all** the questions on the paper.

**Document 1:** adapted from an article *From Aid to Trade* written by Dr Mohammad Hotak. The article was published in 2015 in *Foreign Policy Magazine*. The author is the president of the British Afghan Chamber of Commerce and Industry, and chairman of the MAIH Group, a consulting and contracting firm that helps international companies do business in Afghanistan and helps Afghan companies grow globally.

Afghanistan is rich in natural resources and is a new market for products and services. The country has a young, multilingual, entrepreneurial population, with two-thirds under the age of 25. However, if the economy of Afghanistan fails, the country will fail, too. President Ghani and Chief Executive Officer (CEO) of Afghanistan Abdullah are making promises Afghans want to hear: from selling raisins to the UK, to connecting the capital city Kabul with Silicon Valley in the USA, to attracting Chinese investment. Because government is never good at business, its most important partner is the private sector. The Afghan government must leave business to business people and take the following actions to make sure that trade, investment, and business can be done more easily:

Firstly, Afghanistan needs modern leadership, involving the private and non-governmental sectors, not just political leaders. In Afghanistan the smallest issue is passed all the way to the president to decide, wasting months. For efficiency, problems should be solved at the lowest level possible. Decisions should be made at ministry and department level by qualified people, not just by the president and CEO.

Secondly, government must ensure security and fight corruption. I have spoken to many investors and private sector leaders. The one thing they want from the government is security. If the government provides security, then the private sector can give Afghanistan a self-sustaining economy by 2025. Security is an external threat, but corruption in government is the biggest internal threat. In both cases, only the government has the power and authority to solve these problems.

Thirdly, government must make it easy to do business, supporting new local businesses and attracting international companies. Sadly, Afghanistan is currently ranked as the 7th worst place in the world to do business by the World Bank. A 2014 *Wall Street Journal* article on worst places to do business stated “You’d have to be heroic — or perhaps willing to break the law — to start a business in Venezuela, Afghanistan or Libya.”

Afghanistan Investment Support Agency (AISA) has extremely complicated rules for registering businesses. Entrepreneurs in the UK can register a firm online, with any name they choose, in 20 minutes, costing only \$23 and start business the same day. But in Afghanistan, they have to choose a name by AISA rules, they are asked whether they have a Master’s degree and the AISA registration fee is \$2000.

Finally, Afghanistan must be well-connected with good communication channels. People can access the internet by phone but the internet service is expensive and not available everywhere. The cost of a 1MB internet connection is \$150–\$300 per month compared to a 100MB connection for \$30 in the UK. This has to change for the benefit of individuals, education, research and business. Internet access and technological development should be key priorities.

Afghanistan’s future survival depends on trade, investment and business. Afghanistan’s government must provide security, fight internal corruption, remove barriers to business, support technology and internet availability to the masses, and listen to the private sector. Afghanistan can only be transformed into an economically self-sustaining nation by 2025 if the government takes action.

**Document 2:** adapted from an article *Aid or trade?* written by Hussain H Zaidi. The article was published in The News International (Pakistan) in 2015. The author is a freelance journalist.

Trade can increase development by speeding up economic growth, creating jobs, providing income and reducing poverty. Our leaders often claim that Pakistan needs trade, not aid. However, such politically powerful statements are misleading in two ways. One, they imply that Pakistan must choose between foreign aid and better access to export markets. Two, that we can actually benefit from improved market access. In fact, without aid in the form of financial help, expertise and advice, Pakistan cannot fully benefit from the trade agreements we make.

Pakistan needs foreign aid in order to benefit from export markets. The World Trade Organization (WTO) states, "Aid for trade is about helping developing countries to increase exports of goods and services. It also helps them to become part of the international trading system and to benefit from freer trade and increased market access."

Pakistan is a member of the WTO and several regional trading arrangements (RTAs) and so already has access to export markets. However, the balance between Pakistan's imports and exports has got worse over time. This is mainly because Pakistan is not competitive; it lacks the necessary expertise, skills and systems to compete on the global market.

Pakistan needs aid for trade in several ways. Firstly, technical assistance is needed. Present-day trade agreements are very complex and include intellectual property rights, dispute settlement, economic cooperation, health and safety standards and competition policies. Negotiating and following such agreements needs expertise that Pakistan does not have.

Secondly, Information and Communication Technology (ICT) connects domestic markets to the international economy. Trade-related ICT is vital for success. Countries like Pakistan, which lack quality ICT systems, struggle to compete internationally. We need foreign aid to help improve our systems such as computer networks, to set up operations and support services, and to train specialists.

Thirdly, export success depends on industrial performance. Pakistan mainly exports low technology products such as textiles, garments, leather articles and sports goods. Pakistan's textiles industry struggles with low productivity, unskilled labour, out-dated machinery and lack of innovation. Again, foreign technical assistance could help to put our domestic industry on the right track.

Finally, Pakistan needs help to meet the costs of global trade. Domestic firms have to compete with foreign businesses, which may produce cheaper goods. Firms have to control their costs of production. They may be forced to reduce their workforce and even shut factories and move to a foreign land. Some Pakistani textile manufacturers have already moved to Bangladesh. The main losers are the workers, who have lost their jobs, resulting in loss of income and also in loss of prestige and self-respect. They must be re-trained. However, the problem in countries like Pakistan is lack of funding or facilities for re-training these workers. As Pakistan is not equipped to deal with this effect of globalisation, it needs foreign assistance.

So our leaders are wrong to focus on trade alone, as without foreign aid Pakistan cannot compete in trade.

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