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Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 AS Level Data Response and Essays **October/November 2023**

2 hours



You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **three** questions in total:
  - Section A: answer Question 1.
  - Section B: answer **one** question.
  - Section C: answer **one** question.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.
- You may answer with reference to any economy you have studied where relevant to the question.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Section A

Answer all parts of Question 1.

1 **Economic growth in Taiwan**

In 2021, Taiwan's economy is forecast to grow at its fastest rate in seven years, encouraged by increasing global demand for its technology products. Gross domestic product (GDP) is expected to rise by 4.6% in 2021.

Exports from Taiwan's electronics industry include gaming devices, laptops, devices that aid cloud computing and semiconductors for car production. Taiwan is able to take advantage of a global shortage of semiconductors and it is estimated that exports will grow by 9.6% in 2021, the strongest export growth since 2017. A Taiwanese company is the world's largest producer of semiconductors, and it plans to increase its capital investment by as much as US$28 billion in 2021 to help meet the shortage of semiconductors.

Consumption expenditure in Taiwan is also expected to grow by 3.7% in 2021 which would be the fastest rate of growth in 17 years.

It is significant that the expected growth in GDP in 2021 is higher than the expected rate of increase in the consumer price index (CPI), as is shown in Table 1.1.

Table 1.1 Selected economic data for Taiwan, 2021

	Previous forecast (November 2020)	Latest forecast (February 2021)
Nominal GDP growth (% per year)	3.8	4.6
CPI increase (% per year)	1.2	1.3
Export sales growth (% per year)	4.6	9.6
Trade balance (US$ billion)	57.8	63.9

The growth in the demand for Taiwan's exports has contributed to an appreciation of more than 7% in the Taiwan dollar against the US dollar during 2020. Taiwan had a trade surplus of US$58.8 billion in 2020 and this is expected to rise to US$63.9 billion in 2021. This increase is likely to appreciate the value of the Taiwan dollar further.

Sources: Adapted from: Forbes magazine, 22 February 2021
and: Bloomberg, 20 February 2021

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(a) Using the data in Table 1.1, calculate the expected growth in Taiwan's real GDP in 2021, based on the latest forecast. [2]

(b) State **two** internal causes of economic growth for Taiwan in 2021 and consider which of these is more likely to generate long-term economic growth. [4]

(c) Explain why the Taiwan dollar appreciated in 2020. [2]

(d) Assess whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan. [6]

(e) Assess the possible consequences of a higher rate of economic growth for an economy such as Taiwan. [6]

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Section B

Answer **one** question.

EITHER

2 **(a)** With the help of a diagram, explain what could cause an increase in demand for a product **and** consider whether the impact of an increase in demand on the price of the product will be the same in the short run and the long run. [8]

(b) Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm producing cars. [12]

OR

3 **(a)** Explain why a government might decide to increase its direct provision of essential goods and services **and** consider whether such a policy is always likely to be successful. [8]

(b) Governments sometimes fix maximum prices on goods for different reasons.

Assess whether the use of a maximum price is always advantageous. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** Explain the reasons why governments impose taxes **and** consider whether an increase in income tax is fairer than an increase in sales taxes. [8]

(b) Assess whether a government should always aim to balance its budget rather than have a budget surplus or a budget deficit. [12]

OR

5 **(a)** Explain the difference between an import tariff and an import quota **and** consider why a government would choose an import tariff rather than an import quota as a tool of protection in international trade. [8]

(b) Assess whether the theories of absolute and comparative advantage are substantially undermined by their various limitations. [12]

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