



ADVANCED GCE

ECONOMICS

Economics of Development

2886

Candidates answer on the Answer Booklet

OCR Supplied Materials:

- 8 page Answer Booklet

Other Materials Required:

None

Friday 30 January 2009
Morning

Duration: 1 hour 30 minutes



INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer Question 1 in Section A and answer **one** question from Section B.
- Write all your answers in the separate answer booklet provided.
- If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **4** pages. Any blank pages are indicated.

Section A

Answer this question.

1

Independence for Timor-Leste

Timor-Leste (East Timor) is a recently independent country in Asia. The information below relates to its economic circumstances before and after independence in 1999.

Before independence in 1999

The Portuguese colonisation and subsequent Indonesian occupation of Timor-Leste ended in 1999 when the country became independent. When the Indonesians left the country in 1999, they destroyed or seriously damaged 85% of the infrastructure, while half of all livestock was wiped out. The high-level Indonesian administrators, who had been running the country's government and legal system and a wide range of skilled professionals left Timor-Leste at this time.

After independence

A United Nations Development Programme (UNDP) report in 2006 showed that in 2004 40% of the one million East Timorese were living below the poverty line. GDP per head was US\$366, whereas in rural areas it was only US\$150 per head. 70% of the country's population worked in subsistence agriculture which meant food insecurity and hunger – partly caused by only 3% of farmers using fertiliser and pesticides. Barter was often the form of trade in the countryside. Coffee was the only significant cash crop and export. Because of the lack of industry virtually everything had to be imported, pushing up the cost of living for a rapidly growing population.

For a country which, according to the UNDP report, needed to grow by at least 5% a year there were two hopes. Firstly, there was the potential for tourism, although the current infrastructure was inadequate. Secondly, extraction of oil and gas in the Timor Sea was already providing some income and an agreement had been signed with Australia to further develop these resources in a sustainable way. The government of Timor-Leste had created a petroleum fund to provide finance for development. Other than these opportunities the main option was outside help.

Fig. 1 Selected development indicators for Timor-Leste 1999 and 2004

| | 1999 | 2004 |
|--|-------|-------|
| Life expectancy at birth (years) | 56 | 55.5 |
| Adult literacy rate (%) | 40.4 | 50.1 |
| Educational enrolment (%) | 59 | 66 |
| GDP per head (US\$ nominal) | 331 | 366 |
| Population without improved water (%) | 47 | 43.8 |
| Underweight children under 5 years (%) | 45 | 43 |
| Human Development Index | 0.459 | 0.456 |

Source: *The Path out of Poverty*, Timor-Leste Human Development Report, United Nations Development Programme, 2006, www.tl.undp.org

- (a) State and explain **two** obstacles to development which resulted directly from the exit of the Indonesians in 1999. [4]
- (b) (i) Identify **two** reasons why the estimate of US\$150 per head in rural areas may understate the standard of living. [2]
- (ii) Explain the problems faced by the agricultural sector in Timor-Leste. [3]
- (c) Using Fig. 1 and the text, comment on the extent to which Timor-Leste developed between 1999 and 2004. [5]
- (d) Discuss the extent to which encouraging tourism and oil and gas extraction are appropriate ways to promote development. [6]

Section B

Answer **one** question.

- 2 (a) Explain why some economists believe that the term 'developing country' is an unhelpful one. [10]
- (b) Discuss whether governments of low income economies should concentrate on promoting economic growth or economic development. [15]
- 3 (a) Explain why many of the world's poorer countries face both savings gaps and foreign exchange gaps. [10]
- (b) Discuss whether the involvement of multinational companies (MNCs) is a good way to close these gaps. [15]
- 4 (a) Explain the causes of the population problems found in many low income countries. [10]
- (b) Discuss whether encouraging international migration is a desirable way to promote development. [15]