



GAUTENG PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2016**

GRADE 11

ECONOMICS

PAPER 2

MEMORANDUM

22 pages

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION**

**ECONOMICS
(Paper 2)**

MEMORANDUM

SECTION A (COMPULSORY)

QUESTION

30 MARKS – 20 MINUTES

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 C✓✓ Cross elasticity of demand
- 1.1.2 B✓✓ homogeneous
- 1.1.3 B✓✓ the law of diminishing returns
- 1.1.4 B✓✓ normal
- 1.1.5 C✓✓ It sells products in several countries.
- 1.1.6 A✓✓ social grants
- 1.1.7 C✓✓ Environmental Affairs and Tourism
- 1.1.8 A✓✓ Environmental deterioration (8x2) (16)

1.2 MATCHING ITEMS

- 1.2.1 H✓ The market price is determined by the forces of demand and supply.
- 1.2.2 F✓ A combination of perfect and imperfect competition
- 1.2.3 D✓ People with an interest in the success of the business
- 1.2.4 B✓ Falling average costs as the costs are divided over more units of output
- 1.2.5 C✓ Changing of laws, regulations or customs regarding land ownership
- 1.2.6 G✓ Temporary work opportunities created for the unemployed, using public sector expenditure
- 1.2.7 A✓ This causes the temperature of the earth to increase.
- 1.2.8 E✓ The process in which the number of people living in rural areas decreases, and they move into and live in cities (8x1) (8)

1.3 ONE WORD ITEMS

- 1.3.1 Collusion✓
- 1.3.2 Unregulated market✓
- 1.3.3 Implicit costs ✓
- 1.3.4 Poverty gap ✓
- 1.3.5 Deforestation ✓
- 1.3.6 Conservation ✓ (6x1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 2.1.1 Give TWO examples of normal goods.

- Holidays ✓
- Cars ✓
- Branded fashions ✓
- Hi-tech products ✓
- Diamonds ✓

(Any relevant answer that shows **normal goods** or any goods for which demand increases when income increases)

(2x1) (2)

2.1.2 What price elasticity would a supply curve have if it intercepts the horizontal (quantity) axis?

- Perfect inelastic supply ✓✓

(1x2) (2)

2.2 2.2.1 Is Uber a substitute or complement for metered taxis?

- Substitute ✓

(1)

2.2.2 How is the Gauteng Transport Department going to control the number of Uber taxis operating in Gauteng?

- Uber drivers would now be registered and licensed. ✓

(1)

2.2.3 **What is a substitute good?**

- Substitute is a good that can be replaced by another similar good. (Solution for all Economics) ✓✓
- The demand relationship between goods that can replace each other. (Focus Economics) ✓✓
- Substitutes are used in the place of other goods or services to satisfy a need or a want. (Via Africa) ✓✓
(Accept any other relevant correct answer.)

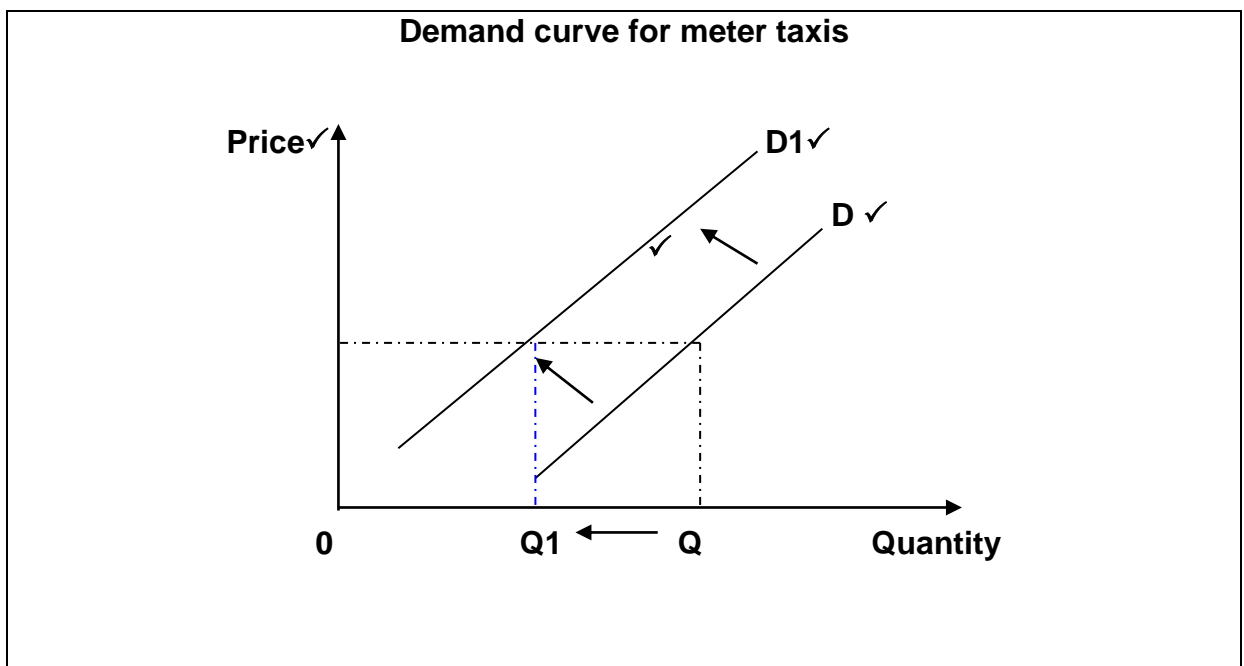
(2)

2.2.4 Why will the taxi user benefit from Uber Taxis entering the market?

- Competition between the meter taxi and Uber will lead to lower prices. ✓✓
- The consumer now has a bigger choice of transport. ✓✓
Accept any other relevant correct answer.)

(2)

2.2.5 Draw a well-labelled graph to show what will happen to the demand curve for meter taxis if the price for Uber taxis decrease.



2.3 2.3.1 **What does the abbreviation TVC stand for?**

- Total variable cost ✓ (1)

2.3.2 **Why is the TFC curve horizontal?**

- Total Fixed Cost remains constant. ✓
- Total Fixed Cost is a fixed amount and not linked to production or output. ✓
(Accept any other relevant correct answer.) (1)

2.3.3 **Explain the term long run.**

- The long run refers to a period that is long enough so that all inputs become variable. (Via Africa Economics) ✓ ✓
- There are no fixed cost in the long run. (Via Africa Economics) ✓ ✓
- In the long-run, the firm can increase labour, capital and land in order to increase output. (Focus on Economics) ✓ ✓
(Accept any other relevant correct answer.) (2)

2.3.4 **Give the formula for total cost as seen in the graph above.**

- Total Cost = Fixed cost + Variable cost ✓ ✓ (2)

2.3.5 **Explain marginal cost in detail.**

- The increase in total cost when one additional unit of output is produced ✓ ✓
- The change in total cost, resulting from a change in the quantity of output produced by a firm ✓ ✓
- If you know the marginal cost of a product, you know how much it costs to produce this additional unit. ✓ ✓
- Marginal cost must be calculated and together with marginal revenue it determines profit maximisation point of the business. ✓ ✓
(Accept any other relevant correct answer.) (2x2) (4)

2.4 Explain the terms *price makers* and *completely blocked entry* in terms of a monopoly.

PRICE MAKERS

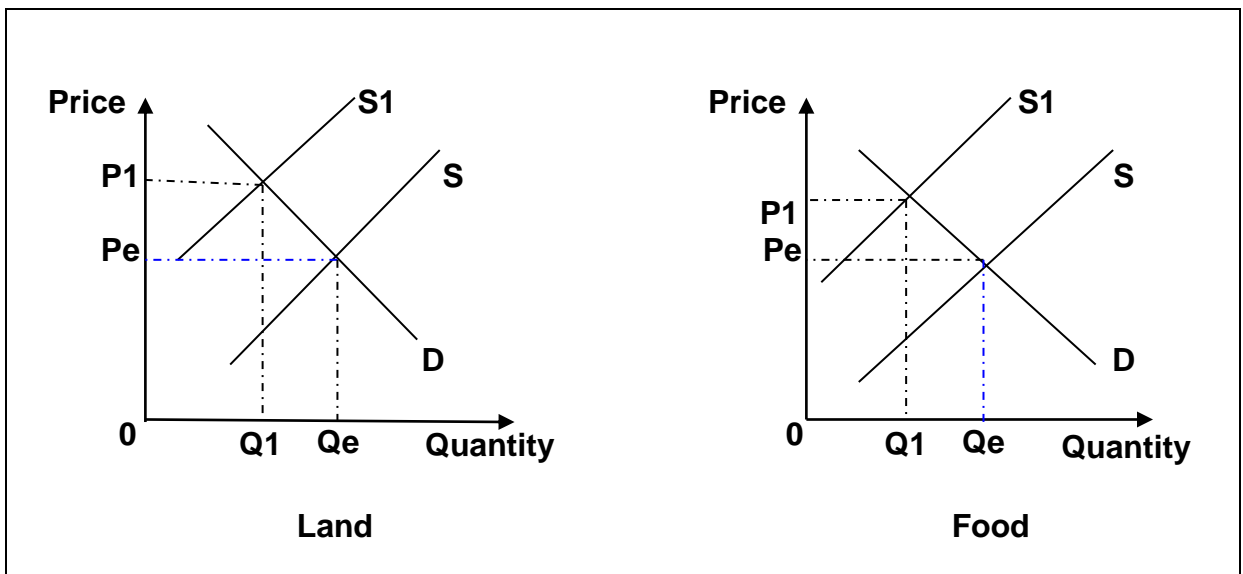
- The monopolist has some control over the price of the product. ✓✓
- They will tend to set the price at such a level that it maximises its own benefit. ✓✓
- While the monopolist is a price maker, this does not imply that it can control both the price and the quantity sold, because it must still take the law of demand into account. ✓✓
(Accept any other relevant correct answer.)
(Max 4 Marks)

COMPLETELY BLOCKED

- No other firm may enter the market. ✓✓
- The monopoly is normally protected. ✓✓
- Examples of protection: Legislation, patents, licensing, exclusive ownership etc. ✓ (Examples 1 mark each – max 2 marks for examples in total)
(Accept any other relevant correct answer.)
(Max 4 Marks)

(2x4) (8)

2.5 Use graphs to explain how a shortage of land will affect the production of food.



Mark allocation

- 1 mark Price & Quantity
 - 1 mark Supply curve
 - 1 mark Demand curve
 - 1 mark for change in supply curve
- (Total 4 marks per graph)

(8)
[40]

QUESTION 3 CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

3.1 3.1.1 Give TWO indicators used to measure poverty.

- Purchasing-power parity (PPP) ✓
- Cost-of-basic needs method ✓
- Food-energy intake method ✓
(Accept relevant answer.)

(2x1) (2)

3.1.2 How do international protocols help sustainable development?

- It focuses the world's attention on the problem, and forces countries to deal with the issue. ✓✓
(Accept relevant answer)

(1x2) (2)

3.2 3.2.1 Which South African Department attended the UNFCCC?

- The Department of Environmental Affairs ✓✓

(1)

3.2.2 How many African countries were represented at UNFCCC?

- 77 ✓

(1)

3.2.3 Name TWO problems mentioned in the article, about climate change in Africa.

- Irreversible effects of climate change on water and food security, ✓ health ✓ and infrastructure ✓

(Any 2x1) (2)

3.2.4 Explain *sustainable economic development*.

- Sustainable economic development is the development of an area using techniques and approaches that will help to protect the environment for the future. ✓✓

(2)

3.2.5 **What could the government do to prevent the unsustainable use of the environment?**

- Appropriate government policy can increase the protection of the environment. ✓✓ (Focus Economics),
- Remove dangerous additives from petrol, such as lead. ✓✓
- Encourage the use of environmentally friendly energy sources such as wind, wave and solar power, as opposed to power generated by fossil fuels. ✓✓
- Ensure that all new buildings are energy efficient. ✓✓
- Implement regulations to reduce pollution, such as the successful policy to reduce the use of plastic shopping bags. ✓✓
– (Oxford Successful Economics & Solutions for Economics)
(Accept any other relevant correct answer.) (2x2) (4)

3.1 3.3.1 **Identify ONE country that forms part of BRICS.**

- Brazil ✓
- Russia ✓
- India ✓
- China ✓
- South Africa ✓
= BRICS (1)

3.3.2 **Which member country is interested in signing a nuclear power deal with South Africa?**

- Russia ✓ (1)

3.3.3 **Explain the concept *emerging economies*.**

- Involves those economies that are not fully developed ✓✓
- Involves those economies that still depend largely on the primary sector activities ✓✓
- Involves those economies whose markets are very volatile ✓✓
- Developing countries that succeed in attracting fixed and portfolio investments from developed economies
- Developing economies that show acceleration in industrialization and economic growth
(Accept any other relevant correct answer.) (2x2) (4)

3.3.4 How can South Africa benefit from trade agreements such as BRICS?

- New foreign direct investment in South Africa
- Marketing opportunities for South African export products
- Cheaper imports of goods and services
- Larger choice of products
- South Africa earns foreign revenue with exports.
- Rebalancing the Balance of Payments

(Any relevant answer)

(2x2) (4)

3.4 Explain basic conservation methods used to protect global natural resources.

- Conservation of biodiversity: ✓ Preserving biodiversity helps ecosystems to respond to damage or change. ✓✓ Plant species in natural areas can adapt to natural environmental changes, such as wildfire, drought or disease. ✓
- Forest conservation: ✓ Huge areas of the richest forests in the world have been cleared for wood fuel, timber products, agriculture and livestock. ✓✓ Efforts to stop deforestation include legislation and boycotting of MNCs responsible for overexploitation. ✓✓
- Soil conservation: ✓ Humans have accelerated wind and rain erosion processes by developing the land and clearing away the vegetation that holds water and soil in place. ✓✓
- Water conservation: ✓ The global supply of freshwater is unevenly distributed. ✓✓ Chronic water shortages exist in most of Africa and drought is common over much of the globe. ✓✓ Water pollution through urban sewage is a serious problem. ✓✓
- Energy conservation: ✓ Energy is used for transportation, heating, cooling, cooking, lighting and industrial production. ✓ The energy supply of the world depends on many different resources. ✓✓ There is a global need to increase energy conservation and the use of renewable energy resources. ✓✓

(Accept other relevant answer.)

(4x2) (8)

3.5 What is the difference between *absolute poverty* and *relative poverty*? (8)

Absolute poverty	Relative poverty
<ul style="list-style-type: none"> • People who are so poor that they cannot meet their basic needs for food, shelter and clothing are said to live in absolute poverty. ✓✓ • This means they are living below the poverty line or minimum living standard. ✓✓ • Absolute poverty refers to the portion of people in a community who cannot afford to pay for the goods and services they need to satisfy their basic human needs. ✓✓ • It is measured by an actual value in terms of the money unit. ✓✓ (Any relevant answer) (Max 4 marks) 	<ul style="list-style-type: none"> • People who have enough to meet their basic needs are regarded as living in relative poverty when their living standards are compared to the other inhabitants of their country or other countries. ✓✓ • They can afford to buy basic goods but not much more. ✓✓ • People are relatively poor if their income is below that of the community in which they live. ✓✓ • It is poverty defined by referring to the overall standard of living in any given society. ✓✓ (Any relevant answer) (Max 4 marks)

(2x4) (8)
[40]

QUESTION 4 MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

4.1 4.1.1 Give TWO characteristics of *monopolistic competition*.

- Many buyers and sellers✓
- Differentiated product or heterogeneous product✓
- Entry into market fairly easy✓
(Accept any other relevant correct answer) (2x1) (2)

4.1.2 How do Green Taxes contribute towards sustainability?

- The introduction of the Marine Living Resources Amendment Act 1998 (1x2) (2)

4.2 4.2.1 At which quantity does this firm break even?

Quantity 2✓ (1)

4.2.2 What is the formula to calculate A in the table?

- Total revenue = Price x Quantity✓ (1)

4.2.3 Calculate the fixed cost in the above table. (Explain your answer.)

- Fixed cost = R10✓
- The total cost for 0 units produced is R10, which can only be fixed cost as there are no variable costs at 0 units.✓ (2)

4.2.4 Calculate the marginal cost for the third item.

$$\begin{aligned} MC &= \Delta TC / \Delta Q \\ &= 3 / 1 \\ &= 3 \checkmark \checkmark \end{aligned} \quad (2)$$

4.2.5 Which market structure is represented in the table above? (Explain your answer)

- Imperfect Market ✓✓
- The price decreases to increase quantity. ✓✓
- The price is not fixed or constant. ✓✓
(Accept any other relevant correct answer.) (4)

- 4.3 4.3.1 **Who is fighting against poverty in the cartoon?**
- The citizens of a country / consumer / workers / households✓
(Accept any other relevant correct answer.) (1)
- 4.3.2 **Which countries are the most affected by poverty?**
- Developing countries✓ (1)
- 4.3.3 **Explain the term poverty.**
- Poverty is the inability of people to attain a minimum standard of living.✓✓ (Solutions for all Economics)
 - Households live in a state of poverty when their income is too low to provide the basic necessities of life: food, clothing and housing.✓✓ (Oxford Successful Economics)
 - Poverty describes the situation where people have a small income or no income at all and therefore are unable to satisfy their basic needs.✓✓ (Focus Economics)
(Accept relevant answer.) (2)
- 4.3.4 **How could government “support you in destroying the enemy”?**
- Government could create job opportunities. ✓✓
 - Government could provide social grants. ✓✓
 - Government could skill and train people. ✓✓
 - Government could fix prices of basic food. ✓✓
 - Government could offer free services. ✓✓
 - Access to basic services ✓✓
 - Employment generating programmes and income support ✓✓
 - Changing labour laws ✓✓
(Accept any other relevant correct answer.) (2)
- 4.3.5 **Explain how inefficient policies can lead to poverty.**
- Poor government policy can exacerbate poverty instead of solving it. ✓✓
 - Discrimination against certain ethnic groups may occur due to a certain group being in power in government and this may increase poverty levels of certain other groups in a country. ✓✓
 - Sometimes a policy may have unintended consequences, e.g. land reform may lead to land being given to incompetent farmers. ✓
 - Corruption may also lead to bad government actions, where projects are implemented, not on the basis of the good that they contribute to the population, but on the basis of bribes. ✓✓ (2x2) (4)

4.4 Distinguish between any TWO types of profit.

- **Accounting profit** ✓
 - Also known as total profit ✓✓
 - It is the difference between total revenue from sales and total costs. ✓✓
 - Accounting profit = Revenue minus explicit costs ✓✓

- **Normal profit** ✓
 - It is the minimum return required by the owners ✓✓ to continue with the business. ✓✓
 - It is the remuneration for entrepreneurship. ✓✓
 - It is included in the total cost of production. ✓✓
 - When revenue is equal to explicit costs plus implicit costs. ✓✓

- **Economic profit** ✓
 - It is the extra profit that the firm makes. ✓✓
 - It is the profit that the business makes in addition to the normal profit. ✓✓
 - It is also known as surplus or excess or extra profit. ✓✓
 - Economic profit = Revenue minus explicit costs plus implicit costs ✓✓

(2x4) (8)

4.5 In which way do international agreements protect the environment?

The World Summit on Sustainable Development 2002 ✓

- Held in Sandton, Johannesburg in 2002 ✓✓
- Discussed challenges like improving people's lives and conserving natural resources in a world with an ever-growing population ✓✓ and ever-increasing demand for food, water, shelter, sanitation, energy, health services and economic security. ✓
- Specific achievements:
 - Biodiversity and conservation became important issues to reduce the rate of species extinction. ✓✓
 - Access to sources of energy and water for the poor have been increased. ✓✓
 - Lead has been removed from petrol. ✓✓
 (Any relevant answer)

The Kyoto Protocol ✓

- The Kyoto Protocol was negotiated in 1997 and signed in 2005. ✓✓✓
 - The treaty was signed by 170 countries. The USA has the world's highest emissions of carbon dioxide and has not signed the Kyoto Protocol. ✓✓
 - The Protocol determined legal binding targets for cutting greenhouse gas emissions. ✓✓
- (Accept any other relevant correct answer.)

The Millennium Development Goals ✓

- The MDGs are eight international development goals to all 193 United Nations member states. ✓✓
- Goal 1: Eradication of extreme poverty and hunger ✓✓
- Goal 2: Achieve universal primary education. ✓✓
- Goal 3: Promote gender equality and empower women. ✓✓
- Goal 4: Reduce child mortality rates. ✓✓
- Goal 5: Improve maternal health. ✓✓
- Goal 6: Combat HIV/AIDS, malaria and other diseases. ✓✓
- Goal 7: Ensure environmental sustainability. ✓✓
- Goal 8: Develop a global partnership for development. ✓✓
- Concerns over environmental sustainability, has the following aims:
 - Integrating the principles of sustainable development into countries' policies and programmes to reverse loss of environmental resources. ✓✓
 - Reducing the rate of biodiversity loss significantly by 2010 ✓✓
 - Reducing by half the proportion of people without sustainable access to safe drinking water and basic sanitation ✓✓
 - Achieving significant improvements in the lives of at least 100 million slum dwellers by 2020 ✓✓

(Any relevant answer)

COP 17 conference, Durban 2011 ✓

- Cop 17 was the 17th Conference of the Parties to the Kyoto Protocol on climate change. ✓✓
- COP 17 established a Green Climate Fund to help developing countries to establish cleaner sources of energy and to adapt to climate change. ✓✓
- It is hoped that countries will contribute to the fund so that it can start operating in 2012. ✓✓

(Accept any other relevant correct answer.)

(2x4) (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer only ONE of the two questions in this section in the ANSWER BOOK.

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Maks. 2
Body:	
<ul style="list-style-type: none"> • Main part: Discuss in detail / In depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate. 	Max. 26
<ul style="list-style-type: none"> • Additional part: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the given graph / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How? / Suggest / Use the information and argue / Debate / Evaluate 	Max. 10
Conclusion	
Any relevant higher order conclusion that should include:	
<ul style="list-style-type: none"> • A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body • An opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40

QUESTION 5 MICROECONOMICS**40 MARKS – 40 MINUTES**

Depending on the type of goods, a demand curve can be elastic or inelastic.

- With the aid of graphs, explain in detail, the different categories of demand elasticity. (26 marks)
- Briefly debate whether a supplier of chocolates and a supplier of petrol would both use price increases to increase their profits. (10 marks) [40]

INTRODUCTION

Elasticity denotes the responsiveness or sensitivity of one variable to the change of another. Elasticity is formally defined as the percentage change in the dependent variable, with a change of one present in the independent variable. ✓✓

OR

Price elasticity of demand (PEd) is defined as the percentage change in the quantity demanded caused by a percentage change in the price, ceteris paribus. ✓✓

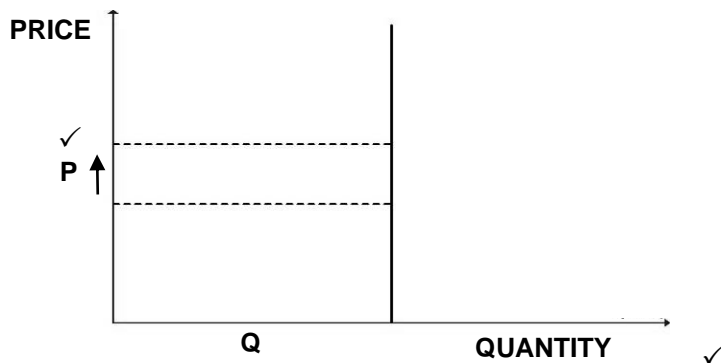
(Any relevant definition)

(Max 2)

BODY: MAIN PART

Perfectly inelastic ✓

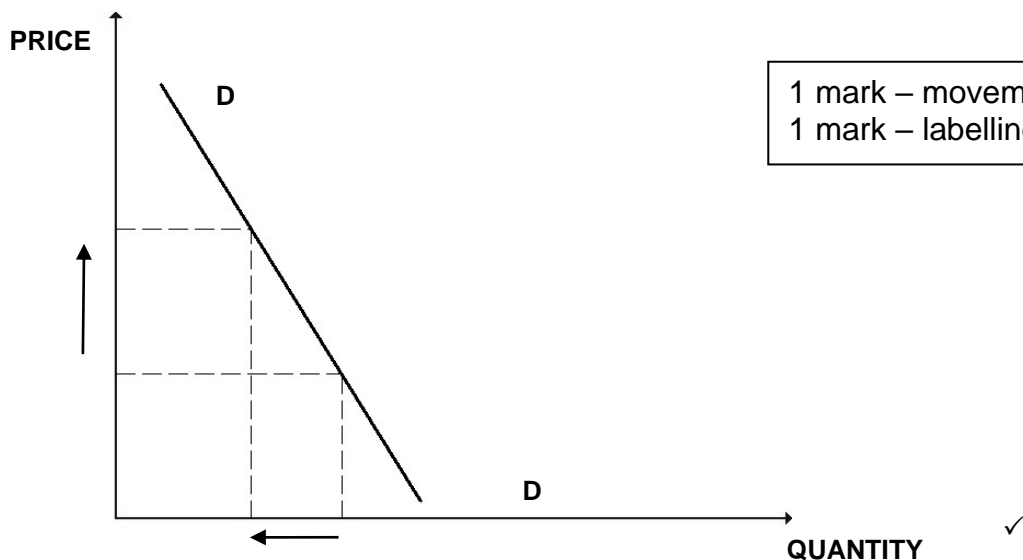
- The quantity demanded remains unchanged, irrespective of a change in price. ✓✓
- TR changes in the same direction as price. ✓✓
- Perfectly inelastic (the $PEd = 0$ ✓✓)



1 mark – movement of P 1 mark – labelling of axis
--

Relatively inelastic ✓

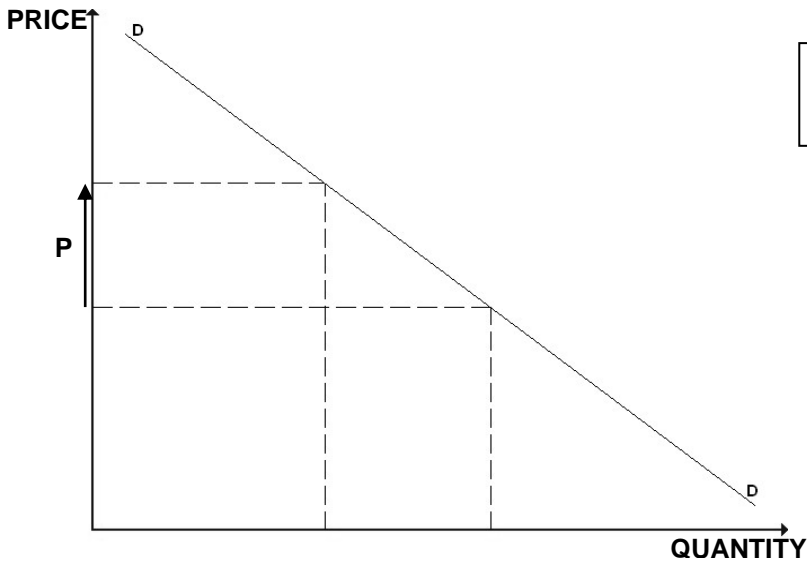
- PEd between 0 and 1 and $PEd < 1$. ✓✓
- The quantity demanded reacts to a change in the price, but by a smaller percentage than that of the change in price. ✓✓
- TR changes in the same direction as price. ✓✓



1 mark – movement of P 1 mark – labelling of axis
--

Unit elastic ✓

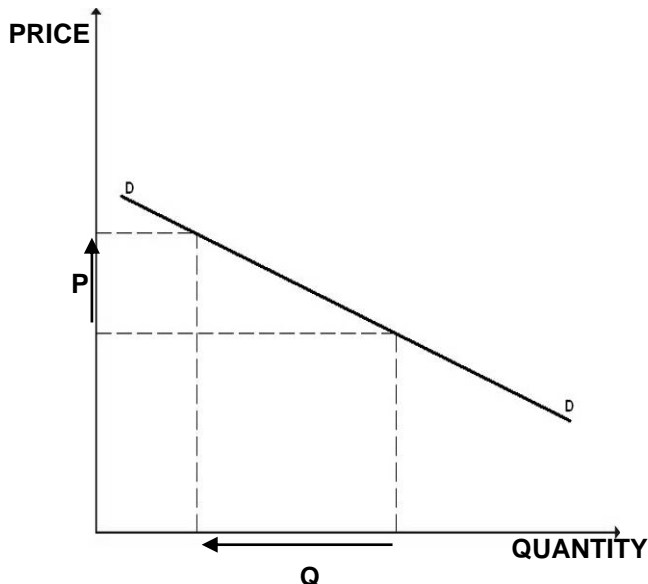
- $PE_d = 1$. ✓✓
- The percentage change in the quantity demanded is equal to the percentage change of the price. ✓✓
- Total revenue will remain unchanged. ✓✓



1 mark – movement of P
1 mark – labelling of axis

Relative elastic ✓

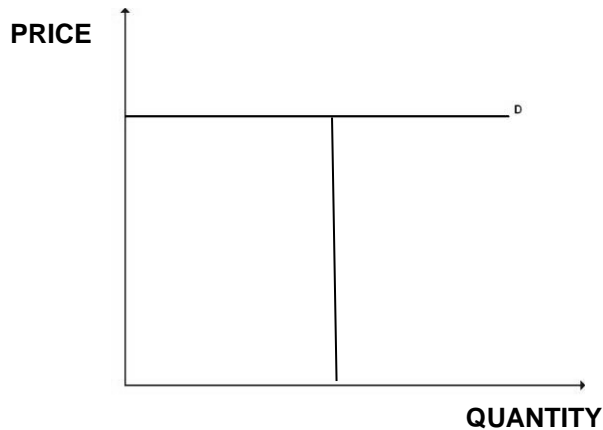
- PE_d between 1 and infinity and $PE_d > 1$. ✓✓
- The quantity demanded reacts to a change in the price, but by a greater percentage than that of the change in price. ✓✓
- Total revenue will change in the opposite direction of the change in price. ✓✓



1 mark – movement of P
1 mark – labelling of axis

Perfectly elastic ✓

- $PE_d = \infty$. ✓✓
- When the demand is perfectly elastic this will lead to a change in price and an infinite change in the quantity demanded. ✓✓
- Income will increase infinitely with a reduction in price. ✓✓



(Headings and examples max 8 marks – max main section 26)

BODY: ADDITIONAL PART

- No, the supplier of chocolates and the supplier of petrol will not both use price to increase their profits. ✓✓
 - The price elasticity of demand for chocolates is price elastic. ✓✓
 - As chocolates is a luxury good, with a price that is too high, people will stop eating chocolates or find a substitute for the chocolates. ✓✓
 - Producers of chocolates wanting to increase their revenue can do so by decreasing the price of the chocolates, as the change in the quantity demanded will be proportionally greater than the percentage increase in the price of the product. ✓✓
 - The price elasticity of demand for petrol is inelastic. ✓✓
 - Even if the price increases, people need transport to get to work and will still use petrol.
 - There is no substitute for petrol and they must pay the higher prices. ✓✓
 - Producers of petrol are encouraged to increase their revenue by increasing the price of petrol, as the percentage change in the quantity demanded will be proportionally smaller than the percentage change in the price of the product. ✓✓
- (Any relevant answer)

(Max 10)

CONCLUSION

The producer cannot always rely on price increases to increase revenue, as they must know how a price increase will affect the demand for their product and rather use other non-price methods to increase market share and revenue. ✓✓

(Any relevant answer)

(Max 2)

QUESTION 6 CONTEMPORARY ECONOMIC ISSUES**40 MARKS – 40 MINUTES**

All countries take part in international trade, some more successfully than others.

- Discuss in detail the advantages that a country has and should use, to produce goods and services in an international market. (26 marks)
- In which way is South Africa negatively affected by the North/South divide? (10 marks) [40]

INTRODUCTION

World trade is to the advantage of a country if it can sell surplus production to other countries and buy what it cannot produce itself from other countries. ✓✓

OR

Globalisation is the process by which the people of the world are incorporated into a single world society. ✓✓

OR

Globalisation is the breaking down of trade barriers to promote the free movement of goods and services, labour and capital in a global economy. ✓✓

(Max 2)**BODY: MAIN PART****Absolute advantage** ✓

- Absolute advantage in trade exists when one country can produce a good using fewer resources (at a lower cost or more efficiently) than another country is able to. ✓✓
- Certain countries have an advantage over other countries with regard to the availability or ability to produce certain goods and services. ✓✓
- An absolute advantage means that a country has a monopoly on a product or can produce it at the lowest cost (or with higher productivity). ✓✓
- Having an absolute advantage means producing something more efficiently than any other country in the world. ✓✓
- Example: South Africa has the majority of the world's diamonds and has developed the best method to extract and refine them. Therefore South Africa has an absolute advantage when trading diamonds ✓ or Brazil has an absolute advantage in the production of coffee ✓ and Mexico in silver, ✓ etc.
- Developed countries usually have an absolute advantage over developing countries in manufacturing involving technology, as they have more capital available and highly skilled workers. ✓✓

Comparative advantage ✓

- Comparative advantage in trade exists if a country has a lower relative cost of producing a good in comparison with another country. ✓✓
- Even if a country has no absolute advantage, it can benefit from trade on the basis of having a comparative advantage. ✓✓
- Comparative advantage means a country is equipped to produce a product at a lower cost than another country when specialising in that product. ✓✓

- This advantage can arise from better technological development, better skills, a cheaper labour supply or higher productivity. ✓✓

Example: South Africa has a comparative advantage in certain agricultural products, precious stones and metals, making the country an important trading partner. ✓

- A country can develop its comparative advantage over time for, e.g. by developing the knowledge and skills of its labour force or by improving the infrastructure in the country. ✓✓

Advantages of trade in absolute and comparative advantage

- **Natural resources are distributed unevenly between countries** ✓
 - Some countries are better at producing some products than others. / International trade helps to distribute resources more evenly. ✓✓
- **Countries can specialise** ✓
 - They produce those products at which they are best. ✓✓
- **Countries can obtain the products they might not have.** ✓
 - It increases the variety of goods available to consumers. ✓✓
- **Economic growth and development** ✓
 - Higher volumes of trade contribute to economic growth and improved standards of living in countries. ✓✓
- **Better standard of living and greater employment** ✓
 - New job opportunities can be created when trade flourishes under absolute and comparative trade, resulting in higher income for households and better level of welfare as the basic infrastructure, health care and education have improved. ✓✓
- **Greater awareness of global problems** ✓
 - Highlight social, economic and environmental problems and stimulate aid. ✓✓

Disadvantages ✓

- A country that is more powerful might force a less powerful country to trade at terms that are less beneficial to the weaker country. ✓✓
- **Transport** ✓
 - Transport costs involved in international trade increase production costs when there is some distance between the countries. ✓✓
- **Trade Obstacles** ✓
 - Obstacles to trade such as tariffs, quotas and other unfair barriers such as safety regulations imposed by some countries will decrease the benefits from international trade. ✓✓
- **Dependence** ✓
 - If a country becomes too dependent on one or a few industries and the prices decrease in that industry, massive unemployment will occur. ✓✓
- **Protecting infant industries** ✓
 - Infant industries find it difficult to compete and survive against established industries. ✓✓

- **Over-specialisation** ✓
 - This has negative effects if a war starts or a natural disaster occurs and imports-exports ceases. ✓✓
 - **Balance of Payment problems**✓
 - If imports are higher than exports, the Balance of Payment of the country becomes negative. ✓✓
- (Headings and examples max 8 marks – max main section 26)**

BODY: ADDITIONAL PART

- **Dependency on the primary sector** – South Africa still depends largely on the primary sector as a source of income / minerals are exported to Northern countries ✓✓
 - The countries in the South, including South Africa, are still densely populated in certain areas ✓✓
 - **Large unemployment levels** – South Africa has a large group of youth which is unemployed – even graduates do not easily find jobs / lack of funds for skills ✓✓
 - **Low life expectancies in the country** – factors such as TB / malaria / HIV and Aids are major problems / insufficient healthcare, especially in rural areas ✓✓
 - **Increasing levels of poverty** – estimates are that 50% of the South African population is in poverty / inability of government to create economic growth and FDI's. ✓✓
 - **Lack of economic growth and development** – aspects such as droughts, corruption, mismanagement and disinvestments are major concerns. ✓✓
 - **Low literacy levels and high school and tertiary dropout rates** – lack of direction, motivation, funds, etc. are negative factors. ✓✓
- (Any relevant answer)

(Max 10)

CONCLUSION

The world has become a global village and integration and trade are important for any economy to grow. All countries need to compete against each other for market share and the developing countries cannot compete with the highly subsidised developed countries' industries. ✓✓

(Any relevant answer)

(Max 2) [40]

TOTAL SECTION C: 40

TOTAL: 150