

# Cambridge IGCSE™ (9–1)

---

## ECONOMICS

0987/02

Paper 2 Structured Questions

For examination from 2027

SPECIMEN PAPER

2 hours



You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

---

## INSTRUCTIONS

- Answer **four** questions in total:
  - Section A: answer Question 1.
  - Section B: answer **three** questions.
- 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.

## INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

---

This document has **6** pages. Any blank pages are indicated.

## Section A

Answer all parts of Question 1. Read the information carefully before you answer.

## 1 Changes in the Algerian economy

Table 1.1 Algeria fact file 2023

Gross Domestic Product (GDP)	\$208bn
population	46m
primary sector's share of GDP	15%
current account balance of the balance of payments	−\$4.6bn

In July 2023, many countries, including Algeria, experienced very high temperatures. Evidence suggests this was caused by global warming. This is where the Earth's climate is getting warmer, largely due to carbon dioxide (CO<sub>2</sub>) emissions, for example from the use of fossil fuels such as oil and gas. Scientists say global warming is causing extreme weather which has damaged buildings, destroyed agricultural crops and affected tourism.

Algeria uses drilling machinery to extract large quantities of oil and natural gas. The Algerian Government aims to reduce the use of oil and natural gas and to increase agricultural output and tertiary sector output. It provides loans to farmers to purchase land and to install watering equipment. Algeria's agricultural output has also been affected by climate change. This has caused soil erosion, water shortages and, on some days, severe heat which prevents farm workers from working outside. However, an increase in global vegetarianism (not eating meat) led to a rise in the output of tomatoes from 2010 to 2023. Algeria's tertiary sector output also increased over this period. Improvements in education, advances in technology and a rise in wages increased output per hour.

Life expectancy in Algeria rose from 74 years in 2010 to 78 years in 2023. Over this period, Algeria had negative net migration.

Table 1.2 Life expectancy and net migration rate in selected countries in 2023

country	life expectancy (years)	net migration rate (migrants per 1000 of the population)
Algeria	78	−0.8
Australia	84	7.1
Fiji	68	−6.0
Monaco	87	11.0
Tonga	72	−10.9
UK	82	3.2

Climate change may influence life expectancy and output. Scientists have shown that CO<sub>2</sub> emissions influence climate change. Some governments impose a 'carbon tax' on these emissions, providing an incentive for firms to reduce pollution. However, such a tax is likely to affect energy costs, be regressive and be complicated to operate. A carbon tax may also not be successful in reducing global CO<sub>2</sub> emissions unless other countries impose such a tax.

In your answers to Question 1, you must use the information provided.

- (a) Calculate the value of Algeria's primary sector output in 2023. Show your working. [2]
- (b) Identify **two** capital goods employed in Algeria's primary sector. [2]
- (c) Explain **one** reason why productivity increased in Algeria's tertiary sector. [2]
- (d) Draw a demand and supply diagram to show the effect of an increase in vegetarianism on the market for tomatoes. [4]
- (e) Analyse the relationship between life expectancy and the net migration rate. [4]
- (f) Discuss whether or not the Algerian Government should impose a carbon tax. [6]

**Section B**

Answer any **three** questions.

- 2** Sweden's population enjoys high living standards. The country is heavily dependent on international trade. Every year between 2000 and 2023, Sweden had a surplus on the current account of its balance of payments. Over this period, Sweden's unemployment rate averaged 7.7%. It was forecast that Sweden's unemployment rate would fall and its current account surplus would increase between 2023 and 2030.
- (a) Define 'international trade'. [2]
- (b) Explain **two** consequences for firms of a decrease in their country's unemployment rate. [4]
- (c) Analyse **two** policy measures a government could use to reduce unemployment. [6]
- (d) Discuss whether or not an increase in a surplus on the current account of the balance of payments will increase living standards in a country. [8]
- 3** In Grenada, the consumption of sugar per head is 92 grams a day. The World Health Organization recommends no more than 25 grams and encourages the daily use of toothpaste. The consumption of some food products can result in high external costs and high social costs. Governments can influence the products people buy in several ways. Nearby Venezuela sets a maximum price on rice and subsidises other products.
- (a) Identify the difference between external cost and social cost. [2]
- (b) Explain **two** causes of an increase in the price elasticity of demand for rice. [4]
- (c) Analyse how the setting of a maximum price and a minimum price can result in market disequilibrium. [6]
- (d) Discuss whether or not a government should subsidise toothpaste. [8]

- 4 In Norway, more than 60% of new cars sold are electric cars. The production of electric cars makes extensive use of the division of labour. Some people save to buy a car. However, saving in Norway fell from 13% of disposable income in 2021 to 5% in 2023. The country also experienced changes in the types of jobs in which people were employed. For example, there was a decline in the number of people deciding to become teachers.
- (a) Define 'division of labour'. [2]
- (b) Explain **two** reasons why saving may decrease. [4]
- (c) Analyse **two** reasons why fewer people may have decided to become teachers. [6]
- (d) Discuss whether or not consumers would benefit from more firms competing in the electric car market. [8]
- 5 In 2023, the foreign exchange rate of Laos fell from 1LAK (Laotian kip) = \$0.0005 to 1LAK = \$0.0004. In that year, 53 000 Laotian students went to university, an increase from 42 000 students in 2010. The Laotian Government aims to increase investment to increase the number of students going to university and to lower unemployment. It also aims to reduce inflation, which rose to 25% in 2023, and to attract more foreign multinational companies (MNCs).
- (a) Identify **two** reasons why a government may want a lower foreign exchange rate. [2]
- (b) Explain how opportunity cost influences whether a school leaver decides to go to university. [4]
- (c) Analyse how a decrease in investment may increase poverty. [6]
- (d) Discuss whether or not attracting more foreign MNCs will reduce inflation. [8]

**BLANK PAGE**

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (Cambridge University Press & Assessment) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

Cambridge International Education is the name of our awarding body and a part of Cambridge University Press & Assessment, which is a department of the University of Cambridge.