



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**ECONOMICS**

**0455/03**

Paper 3 Analysis and Critical Evaluation

**May/June 2009**

**1 hour 30 minutes**

INSERT

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**READ THESE INSTRUCTIONS FIRST**

This insert contains extracts for Questions 1 and 2.

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



## Extract for Question 1

### **Skin-care Products**

In Japan a company has created a range of cosmetics using the extracts from rice which are said to be ideal skin-care products. The sales of the cosmetics have boomed since they were launched in 2004, helped by government funding.

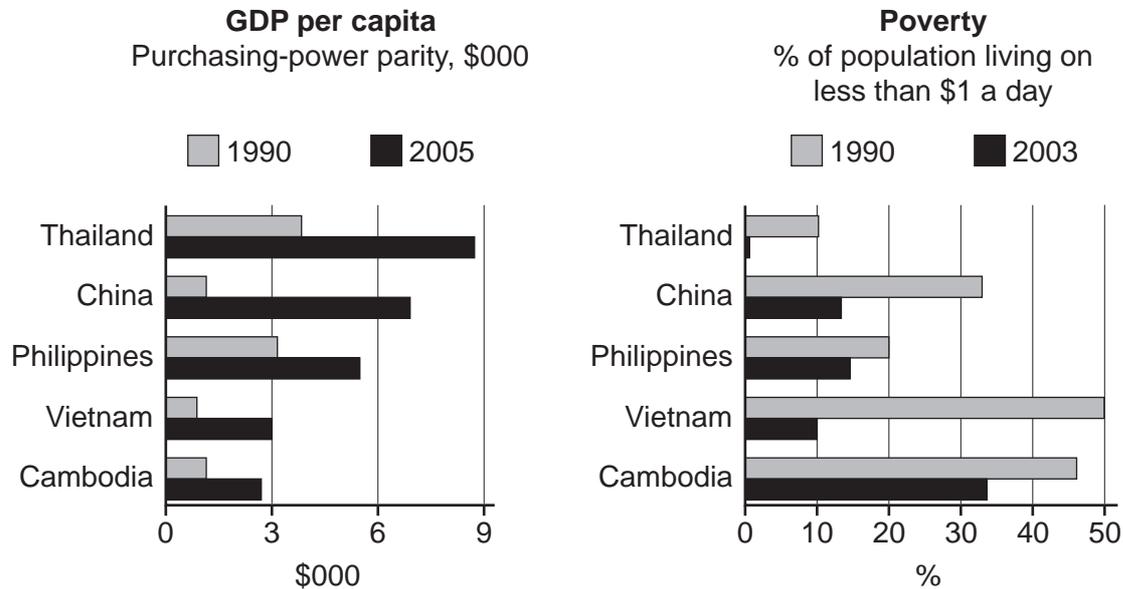
Rice has tremendous marketing power in Japan. It is part of the country's cultural identity. It is also a natural product and Japanese consumers are very concerned about the use of chemicals in food and cosmetic production. The use of rice has helped Japan's agricultural exports because elsewhere in Asia the products are considered to be safe and of high quality.

Japan's Agricultural Ministry wants to double exports in the next five years and, as a result, has moved subsidies away from small farmers towards larger, more efficient, operations. It is also using the subsidies to encourage new operations such as cosmetic production.

## Extract for Question 2

### Economic Growth in Vietnam

The charts show the GDP per capita and poverty levels in selected countries.



In 2006, signs of rapid development were visible everywhere around Hanoi, the capital of Vietnam. There were new roads, expensive homes, luxury cars, five star hotels and conference centres. Before the 1980s, Vietnam tried a planned economy and came close to famine. Since then economic growth has been remarkable.

In 2005, Vietnam was Brazil's main competitor in coffee growing and was also increasing the exports of everything from electronics to shoes. The export of cheap shoes prompted the European Union (EU) to introduce tariffs. Vietnam was also the world's largest exporter of pepper, exported more rice than Thailand, and sold tea to India. Farmers' harvests were still rising but manufacturing industry's higher growth meant that agriculture's share of economic output decreased from about 25 % in 2000 to 21 % in 2005. It is likely to be as low as 15 % by 2010.

The private sector provides most of the jobs but would do better still without inefficient state enterprises. The government has been very keen to provide better public services, to build enough roads, power stations and railways to keep the economy moving. It also sold thousands of state-owned firms, which provided few jobs, to the private sector.

The export growth was helped by high world demand for Vietnam's products but a recession in other countries would have dramatic consequences for employment and production in Vietnam.

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