مــدرســـة ديـــرة الـدولــيـــة
DEIRA INTERNATIONAL SCHOOL

IB Economics Y2

Duration: 55 minutes

Name: ……………………………………………………………………………………………………

Tutor Group……………………………………………………………………………………………………

Teachers Name…………………………………………………………………………………………..

READ THESE INSTRUCTIONS FIRST

Write in blue or black pen
Use a pencil for any drawings
You may use a calculator

For marking		
Section/Question	Student's Mark	Total marks
Total		**15**
Percentage		
Grade/level		

Answer **one** question.

1. Read the extracts and answer the questions that follow.

Text A — India-United Kingdom trade agreement negotiations

1 India is a country located in South Asia. India's government predicts 7 % annual economic growth and it is expected to become the third-largest global economy by 2030. To support growth, India is establishing trade agreements to diversify trade partners, and reduce the impact of global political and economic shocks. However, the annual inflation rate increased from 4 % in 2021 to 7.8 % in 2022 due to supply chain issues and oil price increases. In response, India's government has reduced taxes on fuel while the central bank has tightened **monetary policy**.

2 The United Kingdom (UK), a country in Europe, needs trade agreements with countries in Asia as this area contains some of the world's fastest-growing economies and represents over 40 % of global gross domestic product (GDP). It is currently negotiating a free trade agreement (FTA) with India, which aims to double trade between the two countries by 2030. The agreement is also expected to increase labour movement and job opportunities and protect intellectual property. The Indian government is negotiating easier access to UK work permits and student visas but is concerned that some of its citizens may not return home with their skills.

3 The India-UK FTA would reduce trade protection, including tariffs and quotas, and administrative barriers. India expects to increase its exports of textiles, leather goods, footwear, and pharmaceutical products, whereas the UK aims to boost its exports of British cars, wine, spirits and vinegar. Additionally, foreign direct investment (FDI) between the two countries is expected to increase. The FDI inflows could help to finance India's large **current account deficit**, which has increased as worker remittances from abroad have fallen. However, the current account deficit may decrease anyway because of recent increases in portfolio investment outflows, which could also impact the value of the rupee (India's currency).

4 Increased competition from UK imports may threaten the growth of infant industries in India. An example is the local wine industry in India, which has grown by 30-40 % in recent years. However, to protect infant industries, the reduction in tariffs will be gradual and business taxes will be lowered.

5 Another discussion area in India-UK trade negotiations is the possible privatization of essential services in India, such as healthcare, education, and water. There has been encouragement from the UK for India to open these markets to foreign investment and competition.

6 Increased trade and competition could lower prices, forcing firms to cut labour costs. Indian labour protection groups want the UK to stop trade talks until India changes a law restricting labour unions. They believe the trade agreement should include regulations to protect against poor working conditions and low pay, which impact gender inequality and child welfare.

(This question continues on the following page)

(Question 1 continued)

Text B — India-UK trade negotiations and Sustainable Development Goals

1 India and the UK recognize the relationship between trade and sustainable development and are committed to supporting the sustainable development goals (SDG).

2 The India-UK FTA negotiations are encouraging collaborative research and development projects in the following areas:

- Clean energy and green technologies; decreasing the market failure associated with fossil fuel energy, developing electric vehicles, and waste management practices.
- Gender inequalities; improving access to credit and markets for women, improving education opportunities, and increasing labour participation rate of females in India.
- Human and labour rights; supporting programmes that create work opportunities and better working conditions.
- The agricultural sector and food security; addressing India's low productivity rates, which are blamed on ineffective fertilizer subsidies, lack of infrastructure, and flooding and drought problems from climate change.
- The healthcare sector; developing pharmaceutical products.

Table 1: Development data for India

	2021
Gender inequality index	0.490
Female labour force participation rate (% of female population ages 15+) World average = 46.2 %	23

3 India-UK's previous health sector collaboration resulted in global vaccine development and helped decrease the market failure in the industry. However, possible FTA intellectual property rules may limit India's ability to produce low-price medication, resulting in reduced export opportunities and possibly creating monopolies. On the other hand, targeted research and development could lead to cheaper medication, and the UK's insurance expertise may improve India's health insurance programme.

4 Growth in India-UK trade may increase carbon emissions, deforestation, and air and water pollution. Experts estimate the FTA could increase trade-related transport emissions by up to 36 %. Environmental experts believe this is significant as the UK continues cutting solar panel subsidies, slowing the conversion to clean energy.

(This question continues on the following page)

(Question 1 continued)

Table 2: India and UK SDG data in 2021

	India	UK
Overall progress in all SDGs (100 = all achieved)	59.98	80.53
SDG progress – World ranking (out of 163 countries)	121	11

Table 3: India's SDG progress in 2021

Selected SDGs	India
Goal 1: No poverty	Moderately improving
Goal 2: Zero hunger	Stagnating
Goal 3: Good health and well-being	Decreasing
Goal 4: Quality education	Stagnating
Goal 5: Gender equality	Stagnating
Goal 7: Affordable and clean energy	Moderately improving
Goal 8: Decent work and economic growth	Moderately improving
Goal 9: Industry, innovation and infrastructure	Moderately improving
Goal 13: Climate action	On track
Goal 17: Partnerships for the goals	Stagnating

Table 4: Economic data for India

	2017	2021
Real GDP (US$ trillion)	2.43	2.73
Population (billion)	1.35	1.41
Annual unemployment rate (%)	7.7	7.9
Labour force (million)	476	508
Current account balance (US$ billion)	−30.14	−33.42

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(g) Using information from the text/data and your knowledge of economics, discuss the impact an India-UK trade agreement may have on India's ability to achieve **two** sustainable development goals. [15]