**GCE A Level H2 Economics 2017 Question 1 (Micro)**

**Prospects for Beef Exports to Japan**

**Extract 2: The Market for Beef Imports into Japan**

With its large population and limited agricultural land, Japan has consistently been one of the world’s largest importers of food products, including beef. In 2014, Japan imported nearly US$3.5 billion of beef products, making it the third-largest beef importer in the world.

The primary sources for these imports are the US and Australia, which together represented approximately 90% of Japan’s 2014 beef imports in terms of value. Australia has the larger share, with 47% of the total value while the US share is 44%. Japan regained its position as the largest foreign market for US beef in 2014, representing over 20% of all US beef exports. This is in spite of Japan’s high trade barriers on US beef and beef products.

Japan’s beef consumption has exceeded 1 million tonnes every year since 1989. However, declining population and weak economic growth are expected to constrain Japan’s demand for beef in the future. Japan’s population growth has been negative every year since 2009. The estimated population in 2014 is 127.1 million. This is less than it was in 2001. Decreased population will hamper the demand for beef because it means fewer buyers in total. However, this may be offset by the fact that Japan’s population is ageing and typically meat consumption increases as its population ages. In 2013, more than 25% of Japan’s population was over 65 years old. In comparison, just under 14% of the US population was in this cohort. Recent research suggests that demand for meat per person may increase in future counteracting the impact of population decline in Japan.

There is a tendency for Japanese consumers to import more Australian beef products when US beef prices rise and vice versa. The results show a particularly strong competitive relationship for chilled beef across all sectors, where a price increase in beef from one source leads to increased imports from the other two sources, ceteris paribus. A 1% increase in the price of Australian chilled beef for example, would cause imports of US chilled beef to increase by 0.74% and chilled beef from the rest of the world to increase by 1.34%.

In 2014, the Australian and Japanese governments signed the Japan-Australia Economic Partnership Agreement (JAEPA), which includes significant and immediate tariff reductions for imports of Australian beef into Japan. The US and Australia are competitors in the Japanese beef market, and the implementation of JAEPA gives Australia a significant competitive advantage.

Both the US and Japan are part of the Trans-Pacific Partnership (TPP). The talks on TPP have been concluded, but the agreement has yet to be signed.

Source: USDA, January 2016

(d) Using the information in Extract 2, calculate and interpret the cross elasticity of demand in Japan between Australian chilled beef and (i) US chilled beef and (ii) chilled beef from the rest of the world. [4]

**GCE A Level H2 Economics 2012 Question 1 (Micro)**

**The Market for cotton**

**Extract 1: Brazil's cotton growers seek to boost output as India restricts exports**

Cotton prices have soared 73% in the past year and reached a 15-year high of US$1,064 on 28 September 2010 after India, the world's second-biggest exporter after the United States, said it would limit exports. The Indian government will limit exports to 5.5 million bales in 2011, compared to 2010 when exports were 8,3 million bales. The price of cotton is expected to stay above US$1 until June 2011.

Cotton growers in Brazil, the world's fifth-largest exporter of the fibre, plan to increase output in 2011 after the rise in world prices. Planting for the 2011 harvest may rise to 1.1 million hectares from 830 000 hectares in 2010.

Brazil's government may consider increased financial support for cotton growers to encourage them to raise output in 2011, according to the Brazilian Agriculture Ministry. A four-month drought hurt the quality of the crop this year in Brazil, causing output to fall. In September the government temporarily eliminated a 10% tariff on cotton imports as domestic supplies fell short of demand.

*Source: Bloomberg, 1 October 2010*

(b) What can you conclude from the evidence in Extract 1 about the price elasticity of supply of cotton in Brazil? [2]