

Section A

Read the source material carefully before answering Question 1.

Source material: The United Arab Emirates (UAE)

UAE fact file	2021
Population	10m
Foreign nationals living in the UAE	8.9m
Number of people unemployed	0.2m
Economic growth rate	3.8%

The number of foreign nationals living in the UAE is higher than the number of citizens of the UAE. Labour mobility between the UAE and other countries is high with, for example, many daily flights landing in the UAE from India and Pakistan.

The UAE was the host of the World Expo in 2021–2022 where countries from all over the world demonstrated their economic achievements. The increased connection of people through migration, the trade of goods and services and the sharing of ideas were major features of the World Expo. Another common theme that was presented in the World Expo was the technological progress which has improved global living standards. Technological development has increased both the quality and quantity of the factors of production in the UAE.

This technological progress was supported by a huge amount of finance gained from their oil production and exports of oil. Oil is a necessity and its price inelasticity of demand has brought both advantages and disadvantages to the economy. Figure 1.1 shows the annual percentage change in the oil price and the annual percentage change in the UAE's balance on the current account of the balance of payments.

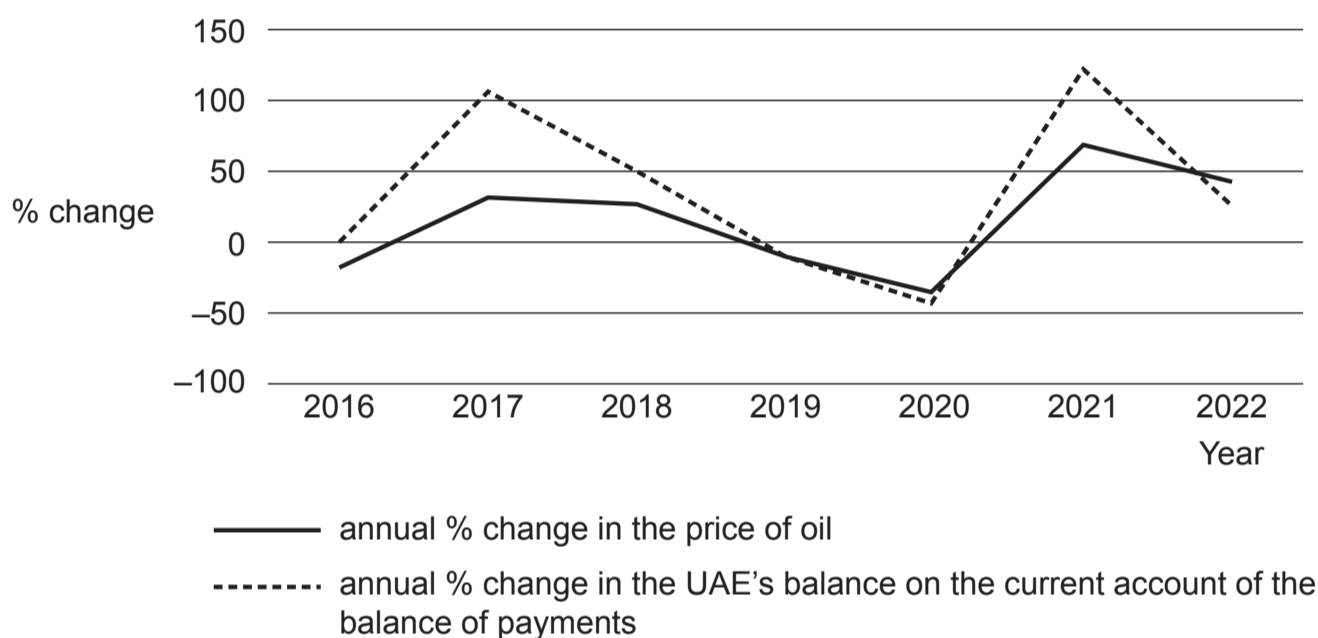


Figure 1.1 Annual percentage change in the price of oil and the annual percentage change in the UAE's balance on the current account of the balance of payments 2016–2022

Dubai, one of the cities in the UAE, is not dependent on oil as 95% of its economy is non-oil based. Dubai is known internationally for its luxury tourism and financial services, which affect employment, tax revenues and export revenues. However, there are concerns over sustainable water use in a desert area and the level of inequality in the distribution of income.

Despite rapid changes in the economy, the value of the domestic currency, the dirham, has always been very stable as the government has maintained a fixed exchange rate system since 1980. This has helped maintain investor confidence in the economy. However, a fixed rate exchange rate affects the government's ability to deliver other macroeconomic objectives.

Answer all parts of Question 1. Refer to the source material in your answers.

- 1 (a) Calculate the percentage of the population who were foreign nationals living in the UAE. [1]
- (b) Identify **two** features of globalisation. [2]
- (c) Explain **one** factor that can influence labour mobility between countries. [2]
- (d) Explain **one** advantage and **one** disadvantage of producing a product which is price-inelastic in demand such as oil. [4]
- (e) Explain the relationship between the oil price and the UAE's current account balance. [4]
- (f) Analyse, using a production possibility curve (PPC) diagram, the effect of technological progress on an economy such as the UAE. [5]
- (g) Discuss whether or not luxury tourism and financial services have helped Dubai achieve economic development. [6]
- (h) Discuss whether or not having a fixed exchange rate is beneficial for a country such as the UAE. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.