

Please check the examination details below before entering your candidate information

Candidatesurname					Other names				
Centre Number					Candidate Number				
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Pearson Edexcel International GCSE

Time 1 hour 30 minutes

Paper reference	4EC1/02
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Economics

Level 1/2

PAPER 2: Macroeconomics and the Global Economy

You do not need any other materials.	Total Marks
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Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Q:1/1/1/1/1/




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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) A firm is described as a multinational corporation (MNC) if it (1)

- A has shareholders in many countries
- B exports goods to other countries
- C is owned by the government
- D operates in more than one country

(b) An increase in which **one** of the following would be most likely to encourage saving? (1)

- A Interest rate
- B Income tax rate
- C Exchange rate
- D Indirect tax rate

(c) What is meant by the term imports? (2)

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(d) Describe **one** reason why governments make benefit payments.

(2)

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Figure 1 shows the UK's imports and exports for the year ending July 2019.

	£bn
Imports	689.9
Exports	646.7
Total UK trade	1 336.6

Figure 1

(Source: Department for International Trade: UK Trade in Numbers September 2019)

(e) Using the data in Figure 1, calculate in £bn, **the current account** for the UK year ending July 2019. You are advised to show your working.

(2)

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The rate of Value Added Tax (VAT), a type of indirect taxation in the UK, is 20%.

(h) With reference to the data above and your knowledge of economics, analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK.

(6)

Area with horizontal dotted lines for writing the answer.

(Total for Question 1 = 20 marks)



2 (a) Globalisation results in increasing (1)

- A levels of debt for all national economies
- B protectionism amongst national economies
- C amounts of legislation for national economies
- D integration and interdependence of national economies

(b) Which **one** of the following is a possible impact of economic growth? (1)

- A An increase in unemployment
- B An increase in environmental damage
- C A reduction in investment
- D A reduction in tax revenues

(c) State **one** type of unemployment. (1)

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(d) What is meant by the term recovery? (2)

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Nigeria's rate of inflation increased to 12.2% in February 2020. A rise in the price of food products, such as bread and meat, was the main reason for the increase.

(e) Explain **one** impact of rising inflation on shoe leather costs in Nigeria.

(3)

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Figure 3 shows the supply of and demand for the UK pound (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

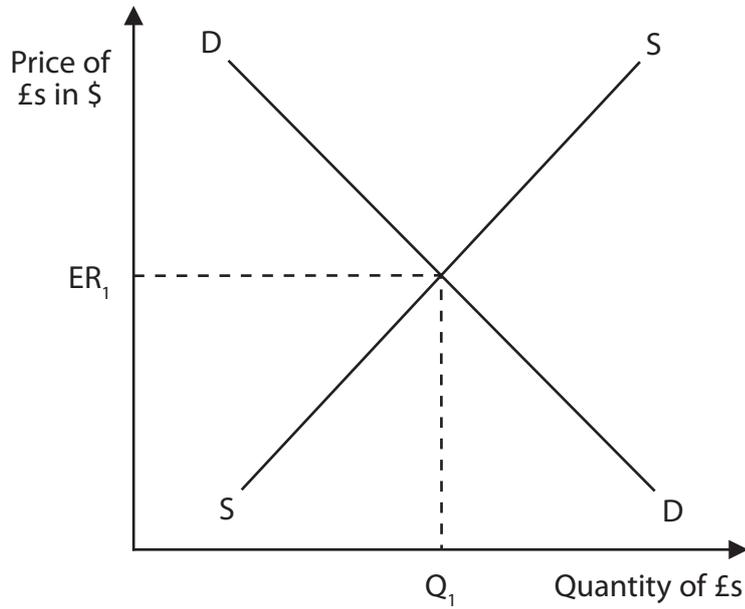


Figure 3

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After nearly 20 years of negotiations, the European Union (EU) and Mercosur, the South American trading bloc, have agreed a draft trade deal. It would create the largest free trade area in the world consisting of 770 million people. The two blocs currently trade more than €88bn in goods and €34bn in services every year.

The EU would eventually end 92% of the tariffs on Mercosur imports. Mercosur would gradually remove its tariffs on 91% of EU goods, which amounts to €4bn. This includes removing the tariffs on clothing, chemicals, wine and canned peaches. Mercosur farmers would be allowed to export a specific quantity of beef, sugar and chicken at a lower tariff rate to the EU each year.

(Source: <https://www.dw.com/en/eu-mercotur-free-trade-deal-what-you-need-to-know/a-49414103>)

(g) With reference to the data above and your knowledge of economics, assess the advantages of free trade for firms located within the EU.

(9)

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(Total for Question 2 = 20 marks)



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3 (a) Which **one** of the following is an example of deregulation?

(1)

- A** Introducing a national minimum wage rate
- B** More health and safety laws
- C** Introducing licences for firms to operate
- D** More firms allowed to enter a market

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- A** An improvement in productivity
- B** An improvement in weather conditions
- C** An increase in wage rates
- D** An increase in the consumption of goods



The UK Government gives subsidies to firms in the renewable energy market that provide wind and solar energy.

(c) Explain **one** reason why the UK Government gives subsidies to firms in the renewable energy market.

(3)

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Nauru is a tiny island country in Micronesia, northeast of Australia. It has a population of 10,824. In 2019, Nauru had a fiscal surplus of 16.1% of GDP.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of having a fiscal surplus for a country such as Nauru.

(6)

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(Total for Question 3 = 20 marks)



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- 4 Figure 4 shows the \$618 bn spent by India on existing infrastructure projects in 2019.

Existing infrastructure projects	\$bn
Renewable energy	200
Railways	147
Roads and highways	109
Metro rail	109
Smart cities	32
Airports and ports	21
Total	618

Figure 4

(Source adapted from: <https://www.businessinsider.in/Nearly-half-of-Narendra-Modis-1-4-trillion-new-infrastructure-promise-may-be-already-approved-projects/Existing-promises/slideshow/68795905.cms>)

- (a) Calculate, to two decimal places, **the percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in 2019. You are advised to show your working.

(2)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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