GradeMax

edexcel

Mark Scheme (Results)

January 2016

Pearson Edexcel International Advanced Level in Economics (WEC04) Paper 01 Developments in the Global Economy

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

January 2016
Publications Code IA043181
All the material in this publication is copyright
© Pearson Education Ltd 2016

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

****SECTION A: ESSAYS – PLEASE USE DETAILED MARKING CRITERIA WHICH ARE TO BE FOUND AT THE END OF THIS MARKSCHEME****

FOR ALL QUESTIONS: No mark scheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the mark scheme.

Question Number		Mark
1 (a)	• Understanding/definition of restrictions on free trade or types of restrictions, e.g. tariffs, quotas etc. • Candidates may draw a tariff diagram to show the likely effects, and/or may use AS/AD analysis Reasons for introducing the restrictions could include: • To raise tariff revenue for the US government • To protect domestic employment in the solar panel industry • To improve the US' balance of payments position: they currently have a sizeable current account deficit • To help to maintain a diversified industrial base in the US: reduce risk by protecting against exogenous shocks • To protect essential or strategic industries, e.g. power generation • To protect infant/sunrise industries: perhaps the US firms need time to grow to gain economies of scale to be able to compete effectively • To prevent dumping by other countries • To manage the decline of senile/sunset industries • Ethical or political grounds • Retaliation *Evaluative comments could include:* • *Tariff revenue is a very small proportion of total government revenue in developed economies; this is more likely to be a reason in developing economies* • *Significance of the size of the tariffs: 20-40% is large* • *But the solar panel industry is relatively small as a proportion of the US economy, so any effects on employment, trade balance, diversification and economic growth are likely to be relatively insignificant* • *Solar power is a relatively new technology, so far more likely to be an infant industry than a senile industry* • *Consideration of the extent to which solar panels are part of an essential/strategic industry for the US (given its other sources of power, perhaps)* • *Prioritisation of different reasons* • *Credit for reasons against a protectionist policy* **NB Candidates do not need to refer to the US tariff on solar panels in particular in their answer.**	**(15)**

Question Number		Mark
1 (b)	• Understanding/definition of protectionism • Candidates may draw a tariff diagram to show the likely effects, and/or may use AS/AD analysis Likely effects of an increase in protectionism may include: • A decrease in international trade • Less FDI inflows • Less specialisation according to comparative advantage, leading to less efficient global production • Less choice and variety of goods and services available to consumers • An increase in prices of goods and services - global inflation • Deadweight welfare losses from the introduction/increase of tariffs/quotas • Countries that were running trade surpluses are likely to see these reduce, leading to lower aggregate demand, falling real GDP, rising unemployment • Countries that were running trade deficits are likely to see these reduce, leading to higher aggregate demand, rising real GDP, falling unemployment • Retaliation and trade wars *Other evaluative comments could include:* • *Prioritisation of different effects* • *Different effects at different points in time (SR/LR distinction)* • *It depends on how much protectionism increases by, how many countries increase it, and what form this takes* • *The importance of government intervention/regulation to correct any effects* • *The importance of other factors in determining overall effects, e.g. other determinants of the rate of inflation etc. (questioning of the ceteris paribus assumption)* • *WTO intervenes to reduce trade barriers* **NB Candidates must answer in terms of the effects on the global economy, not just on one country.**	**(25)**

Question Number		Mark
2 (a)	• Understanding of macroeconomic objectives and/or policies, and the policy makers responsible for them Possible problems could include: • Inaccurate information - issues with sampling, time delays/lags, inadequacy of information gathering systems and processes, shadow economy/black economy/informal sector/subsistence farming/undeclared information • Risks and uncertainties - the effects of policies may be difficult to predict either due to a lack of information (e.g. quantitative easing as a relatively new policy) or uncertainty as to consumers'/firms' reactions • Inability to control external shocks - external shocks (e.g. changes in commodity prices, exchange rates, economic conditions in trade partners' economies) may occur while policies are being implemented and/or having their full impact, changing economic conditions • Conflicts between macroeconomic objectives – cannot achieve multiple objectives at one time. For example: o Low, stable inflation and low unemployment; o Low, stable inflation and sustainable economic growth; o Sustainable economic growth and balance of payments equilibrium; o Sustainable economic growth and environment; o Sustainable economic growth and reduction in income inequality. • Conflicts between macroeconomic policies • Influence of powerful firms and TNCs *Evaluative comments could include:* • *Prioritisation of factors* • *Different factors will be more important in different economies, e.g. developing countries, or those with proportionally larger shadow economies, less likely to have accurate information etc.* • *Different factors will be more important for different macroeconomic policies, e.g. longer time lag for full effect of supply side policies to be felt, means more time for external shocks to occur etc.* • *Information may be becoming more accurate over time as technology and economic understanding improves* • *Different economies more or less likely to be affected by external shocks.* • *Reasons why conflicts between macroeconomic objectives might not occur* • *Historical data/information available on policy impact in the past, so not an issue to policy makers*	**(15)**

Question Number		Mark
2(b)	• Understanding of a cut in tax rates (and different taxes) • Understanding of unemployment (may include different types of unemployment, and/or measures) • Cutting taxes is a part of fiscal policy • It is an expansionary/reflationary policy Possible arguments for cutting tax rates could include: **Supply-side effects** • Cutting income tax rates might provide increased incentives to work • Cutting corporation tax rates would increase firms' incentives to expand and hire more workers • Cutting other production taxes (e.g. 'green' taxes) would reduce firms' production costs, increasing their incentives to supply and hence hire more workers **Demand-side effects** • Cutting income tax rates would increase disposable incomes, leading to increased consumption, and hence increased (derived) demand for labour to produce goods and services • Cutting indirect tax rates (e.g. VAT, excise duties) would increase consumers' purchasing power, leading to increased consumption, and hence increased (derived) demand for labour to produce goods and services Possible arguments of how other policies may be more effective in reducing unemployment to be credited *Other evaluative comments could include:* • *Other policies may be more effective in reducing unemployment - this should not be the 'main' policy* • *Cutting different taxes are more or less effective in reducing unemployment* • *Cutting taxes not the most effective way if it leads to problems with other macroeconomic objectives* • *Effectiveness depends on the type of unemployment, e.g. structural unemployment more difficult to reduce through this policy* • *Reducing import taxes (tariffs) would increase international competition, perhaps increasing domestic*	

	unemployment • *Importance of other factors in determining the effects of the policy, e.g. consumer and business confidence, the size of the multiplier etc.* *Any reasonable evaluation should be awarded if candidate offers an alternative viewpoint* **NB Award a maximum of 20 marks (Level 4) if a candidate does not refer to a country or countries in their response.**	**(25)**
Question Number		Mark
3(a)	• Understanding of government intervention in currency markets Possible policies might include: • Sale/purchase of foreign currency (or gold etc.) reserves in order to increase demand/supply for the dinar • Pegging currency against more stable currency • Changes in the money supply in the Tunisian economy • Changes in the (relative) interest rates in Tunisia • Other policies to encourage/restrict the inflow of FDI and/or portfolio investment into Tunisia • Other policies to encourage/restrict the outflow of funds from Tunisia (e.g. through remittances, repatriation of profits, capital flight etc.) *Evaluative comments could include:* • *Ability of the government to sell reserves/dinar depends on the value of reserves/dinar held, and the international value of them* • *Possible political/ethical issues surrounding the selling off of reserves* • *Use of monetary policies may cause conflicts with other macroeconomic objectives* • *Relative interest rate more important than interest rate in determining hot money flows* • *Prioritisation/comparison of the effectiveness of different policies* • *Problems of currency stabilisation* **NB Candidates do not need to answer in relation to Tunisia/the dinar**	**(15)**

Question Number		Mark
3(b)	• Understanding of a depreciation of a currency Possible benefits could include: • Decrease in the relative price of exports, leading to an increase in export sales • Growth in Tunisia's tourism industry • Increase in the relative price of imports, leading to a decrease in import sales • Improvement in Tunisia's trade balance and hence its current account on the balance of payments • Increase in Tunisia's aggregate demand, generating economic growth and increases in employment, particularly in exporting industries • Increase in inward FDI and decrease in outward FDI, so improving the financial account position *Evaluative comments could include:* • *Prioritisation of benefits* • *Role of PED in determining the effect on the value of imports and exports / Marshall-Lerner condition / 'J-curve' effect* • *Significance of the depreciation -6% and 9% over four months* • *Fall against both the euro and the US dollar, but exchange rates against neighbours' currencies might be more important* • *Depends on what proportion of AD is made up by net trade* • *Cost-push and demand-pull inflationary pressures may reduce the increased export competitiveness* • *Effects on growth and unemployment depend on the level of spare capacity in the Tunisian economy, the size of the multiplier effect, any time lags etc.* • *Depreciation of the dinar may reduce confidence in the Tunisian economy, leading to negative economic effects*	**(25)**

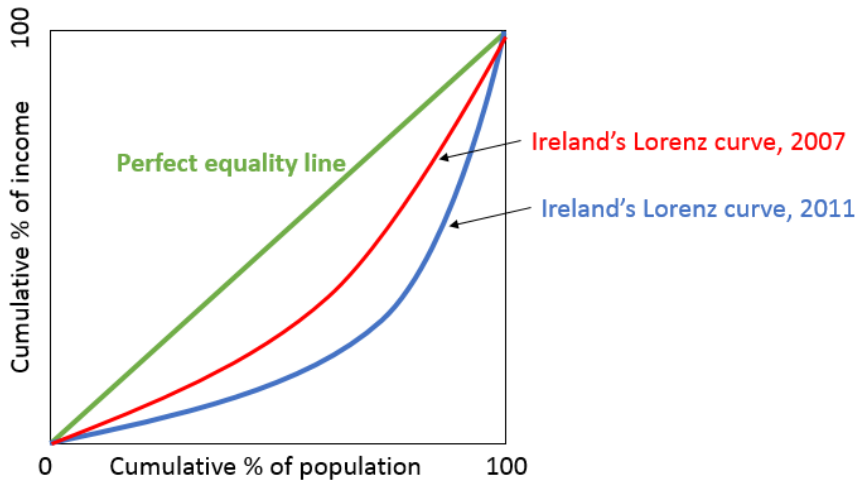
Section A Part (a) Questions: Performance Criteria for Mark base 15		
Level 0	0	• No rewardable material
Level 1	1-3	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting and applying different economic ideas are unsuccessful • Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	4-6	• Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion • Displays a limited ability to select and apply different economic ideas • Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	7-9	• Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions • Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
Level 4	10-12	• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions • Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	13-15	• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Section A Part (b) Questions: Performance Criteria for Mark base 25		
Level 0	0	• No rewardable material
Level 1	1-5	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting and applying different economic ideas are unsuccessful • Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	6-10	• Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion • Displays a limited ability to select and apply different economic ideas • Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	11-15	• Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions • Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
Level 4	16-20	• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions • Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	21-25	• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Question Number		Mark
4(a)	**Knowledge (up to 2 marks):** Absolute poverty: not being able to afford a basic bundle of goods and services necessary for survival / earning less than a fixed amount per day PPP $1.25, accept between $1 and $2 (1) Relative poverty: earning a low amount in the context of a country / earning less than 60% of median income (accept 50%) (1) **Application (up to 2 marks):** Absolute poverty has fallen in China from approx. 85% of population in 1981 to approx. 15% in 2005 / decreased 70 percentage points (1) Relative poverty has risen slightly in China from approx. 15% of population in 1981 to approx. 25% in 2005 / increased 10 percentage points (1)	**(4)**

Level	Mark	Descriptor
Level 1	1-2	Up to 2 marks for knowledge and/or up to 2 marks for application
Level 2	3-4	Up to 2 marks for knowledge and up to 2 marks for application

Question Number		

4(b)	**Knowledge (up to 2 marks)**:
	
	• Understanding of income equality (1)
	• Understanding of Lorenz curve (1) – a graphical representation of the relationship between cumulative percentage of income to cumulative percentage of population
	• Understanding that the Gini coefficient (1) measures the extent to which the distribution of income within an economy deviates from a perfectly equal distribution / the Gini coefficient measures the area between the Lorenz curve and the hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line.
	
	Analysis of the trends (up to 4 marks):
	• The increase in Ireland's Gini coefficient represents an increase in income inequality in the country (1)
	• Diagram to show the Lorenz curve moving further away from the perfect equality line
	  ○ Cumulative percentage of income (1)
	  ○ Cumulative percentage of population (1)
	  ○ Original Lorenz curve (2007) (1)
	  ○ New Lorenz curve shifted rightwards (2011) (1)
	
	
	
	Application (up to 2 marks):
	Ireland's Gini coefficient increased (1) by 6.6 percentage points (1) between 2007 and 2011
	
	Highest increase amongst the selected countries / higher than Spain, Greece, etc (1)
		(8)

Level	Mark	Descriptor
Level 1	1-2	Up to 2 marks for explanation of Gini coefficient or up to 2 marks for analysis of trends or up to 2 marks for application
Level 2	3-4	Up to 2 marks for explanation of Gini coefficient and/or up to 4 marks for analysis of trends and/or or up to 2 marks for application
Level 3	5-8	Up to 2 marks for explanation of Gini coefficient and/or up to 4 marks for analysis of trends and/or up to 2 marks for application

Question Number		Mark
4(c)		**(12)**
Knowledge, Application and Analysis – Indicative content		
	The Gini coefficient rose by 1.3% points in the US from 2007 to 2011 / 'top 10% no longer takes 1/3 of the income – it now takes half'. Likely causes include: • Increased globalisation / trade liberalisation / off-shoring • Automation of manufacturing / changing technology • Development of the emerging economies, e.g. China/India • Financial crisis of 2008/2009 • Increased incomes of those already at the top of the income distribution (ownership of assets/wealth distribution/economic growth) • Deregulation • Increased returns to education / entrepreneurial risk-taking • Political motives and philosophy, e.g. trickledown • Other factors linked to the context of USA, example taxes, benefits etc	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the likely causes of rising income inequality with limited explanation. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of the likely causes of rising income inequality. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the likely causes of rising income inequality with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content		
	• Prioritisation of factors • Different factors may be more important for different regions / industries within the USA • Extract states that ' the top earners in the US are mostly not living off income from wealth and property. Instead, they are the working rich … and entrepreneurs' • Financial crisis is only a short term, temporary factor - extract says income inequality has been worsening for two decades	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
4(d)		**(16)**
Knowledge, Application and Analysis – Indicative content		
	Identification that these policies will help reduce income and equality. Policies include: • Increased use of profits from state-owned enterprises to fund welfare programmes *May reduce efficiency/profitability of enterprises, or lead to more tax avoidance/evasion* • Making more sources of income subject to income tax and controlling illegal income *But, increases in marginal tax rates may be more effective (possible Laffer curve analysis. Very difficult/expensive to control illegal income. May lead to capital flight* • Reduction in corruption so more of government funds can be spent on welfare programmes *But effectiveness depends on what the money is spent on* • Increase in benefits/pensions *But sometimes the poorest in society are ineligible/unaware of these, may particularly be the case in rural China* • Improvements in state provision of public services such as healthcare, education, social housing *But depends on the quality of these services originally* • Policies to boost employment *But these might be inflationary, reducing consumers' purchasing power* • Introduce more taxes on wealth/property *But may lead to more tax avoidance/evasion / capital flight (possible Laffer curve analysis)*	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of policies to reduce inequality with limited explanation. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of policies to reduce inequality. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation policies to reduce inequality with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.
Evaluation – Indicative content		
	• See above	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

Question No.		Mark
5(a)	**Knowledge - two points from below (1 + 1):** Globalisation is: • the increased integration and interdependence of the world's economies (1) • increase in international trade or world trade as a proportion of global GDP (1) • increase in cross-border capital flows (1) • increase in international migration (1) • global division of labour (1) • reduction in trade barriers (1) • increased importance of transnational corporations (1) **Data reference - two examples from Extract 1 or Figure 1 (1 + 1):** • the "surge of foreign capital" flowing into Sub-Saharan African OR the "rapid growth in inward foreign direct investment" (1) • "the massive expansion of moving international trade activities offshore" OR "Technology and outsourcing are enabling traditional services to overcome their old constraints such as physical and geographic proximity" (1) • "deeper global trade integration" (1) 2 marks for knowledge, 2 for application / data reference	**(4)**

Level	Mark	Descriptor
Level 1	1-2	Up to 2 marks for knowledge and/or up to 2 marks for application
Level 2	3-4	Up to 2 marks for knowledge and up to 2 marks for application

Question number		Mark
5(b)	**Knowledge and analysis (up to 6 marks):** Up to two marks for identification of two reasons (1+1) • "strong public and private investment demand" (1) leading to increased government spending and investment (1) components of aggregate demand (1) • "robust household consumption" (1) due to increased consumer confidence (1) leading to increased aggregate demand (1) • "rise in commodity prices" (1) leading to an increased value of exports / increased export earnings (1), leading to a rise in aggregate demand (1) • "the surge of foreign capital as a result of loose monetary policies" (1) closing the savings gap, and leading to increased investment (1) and hence aggregate demand (1) • "rapid growth in inward foreign direct investment" (1) leading to greater employment and trade (1) and aggregate demand (1) Candidate may show an increase in aggregate demand and economic growth on a diagram. **Application (up to 2 marks):** GDP growth reference in paragraph one in extract one.	**(8)**

Level	Mark	Descriptor
Level 1	1-2	Up to 2 marks for identification of two reasons; and/or up to 2 marks for application; and/or up to 1 mark for analysis
Level 2	3-4	Up to 2 marks for identification of two reasons; and/or up to 2 marks for application; and/or up to 3 marks for analysis
Level 3	5-8	Up to 2 marks for identification of two reasons; and/or up to 2 marks for application; and/or up to 4 marks for analysis

Question Number		Mark
5(c)		**(12)**
Knowledge, Application and Analysis – Indicative content		
	• Investment in good governance and institutions - reduction in corruption means more of returns spent on population, improved rule of law and protection of private property rights, leads to increased inflows of FDI creating more jobs • Investment in the people of Africa, particularly the young - increased spending on education and healthcare programmes, reduces inequality, increases employment • Promoting infrastructure - transport infrastructure means growth is experienced across all regions of a country, power and sanitation infrastructure improves living standards of all • Reducing barriers to trade and investment - leads to the creation of more jobs and so higher incomes • Making sure there are adequate services and infrastructure for the rapidly expanding urbanisation of African cities - improving living standards across the cities of Africa (possible link to Lewis Model of economic development), reduction in over-crowding in cities **NB To achieve a Level 3 mark, responses must consider policies which both create economic growth and reduce income inequality**	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the possible measures that Sub-Saharan African governments should take. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of the possible measures that Sub-Saharan African governments should take. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the possible measures that Sub-Saharan African governments should take, with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content		
	• Prioritisation of measures • Time lag for measures to be effective • Cost / opportunity cost of investing in each measure • Different forms of infrastructure may be more or less effective • Reduced trade barriers may lead to some domestic firms/infant industries being out-competed, losing jobs • Focusing on cities may ignore those living in vast areas of the countries, perhaps in even poorer conditions	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
5(d)		**(16)**
Knowledge, Application and Analysis – Indicative content		
	Candidates may be rewarded for the argument that further diversification into services would be beneficial, or that it is not, and use the reverse arguments in evaluation. • Understanding of diversification Further diversification into services would be beneficial: • "the heavy reliance on resource-based exports … makes the region highly vulnerable to the shocks in commodity prices" • Prebisch-Singer Hypothesis: diversification away from primary products might lead to an improvement in the economies' terms of trades in the LR • This is "a potentially important source of growth for the Africa region" as it would lead to an increase in (higher value-added) exports • Large potential for continued growth - reference to the Extract, e.g. "services trade is the fastest-growing sector within global trade" • Exports of other, more traditional services are perhaps declining • Employment opportunities, e.g. "Over 60% of those employed in large companies in Mauritius work in the service sector, which offers more employment opportunities than either agriculture or manufacturing" • Primary products have income inelastic demand whereas services have income elastic demand	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the benefits of further diversification into the services sector. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of the benefits of further diversification into the services sector. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the benefits of further diversification into the services sector, with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content		
	Further diversification into services would not be beneficial: • Production of commodities has allowed economies to grow, taking advantage of the rise in global commodity prices and demand • Economies may not have appropriately skilled labour and infrastructure / the cost of this may outweigh the benefits • May be more beneficial for some economies within Sub-Saharan African economies than others • Reduction in trade barriers / increase in global off-shoring could be used to increase production of goods, not necessary to diversify into services • Countries may have a comparative advantage in the production of primary products, but not in the production of services • Diversification into traditional services such as transportation and travel have declined, so less benefits to Sub-Saharan Africa of moving into these sectors	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London, WC2R 0RL, United Kingdom