GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | Candidate Number

Tuesday 2 June 2020

Morning (Time: 2 hours) | Paper Reference **WEC14/01**

Economics

International Advanced Level
Unit 4: Developments in the global economy

You must have:
Source Booklet (enclosed).

Total Marks

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 in Section A and Section B.
- Answer **TWO** questions from Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

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.*
- Calculators may be used.

Advice

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

Turn over ▶

P63977A

©2020 Pearson Education Ltd.

1/1/1/1/1

P 6 3 9 7 7 A 0 1 2 8

Pearson

SECTION A

Answer ALL questions in this section.

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 India specialises in services while China specialises in manufacturing.

If each country specialises and trades in the sector in which it has a comparative advantage, then which **one** of the following is likely to occur?

☒ **A** An increase in world output

☒ **B** A fall in exports and imports

☒ **C** A fall in the standard of living

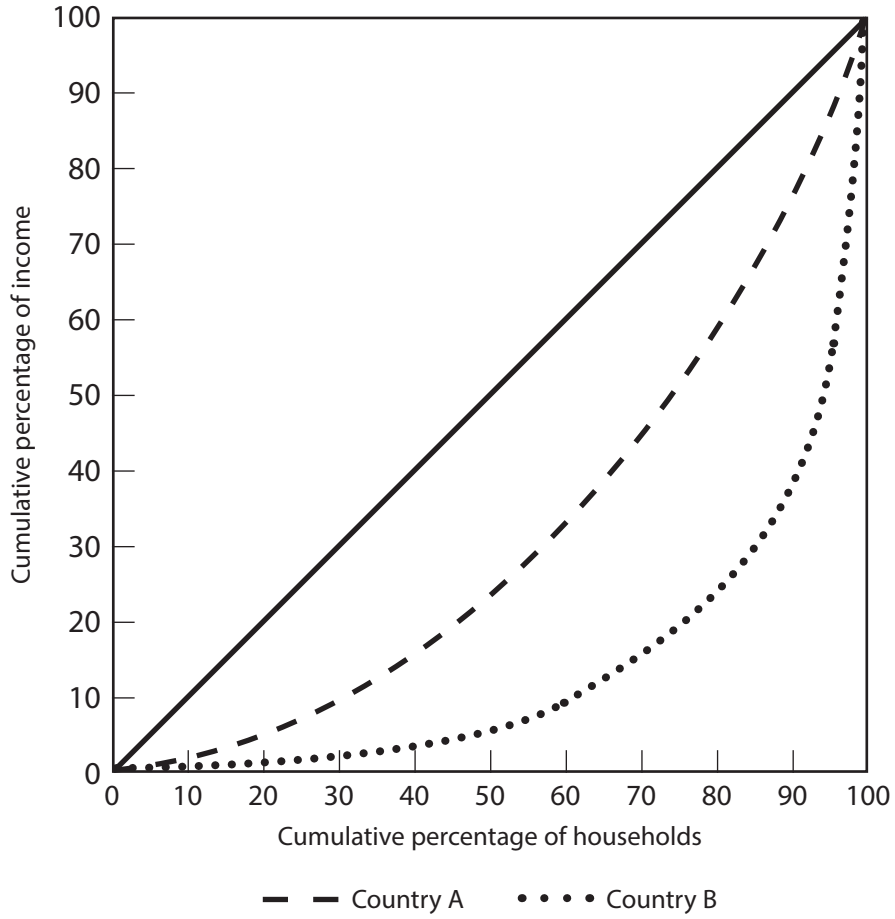
☒ **D** An increase in absolute poverty

(Total for Question 1 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

2 The diagram illustrates the Lorenz curves of Country A and Country B.



Which **one** of the following can be deduced from this chart?

- ☒ **A** GDP per capita in Country B is higher than in Country A
- ☒ **B** Income tax rates in Country B are higher than in Country A
- ☒ **C** The Gini coefficient of Country A is larger than it is for Country B
- ☒ **D** Income is more evenly distributed in Country A than in Country B

(Total for Question 2 = 1 mark)

3 According to the Global Competitiveness Index, Finland's international competitiveness rank fell six places between 2015 and 2018.

Which **one** of the following measures is most likely to increase Finland's international competitiveness?

- ☒ **A** A reduction in spending on infrastructure
- ☒ **B** Stricter regulation of labour markets
- ☒ **C** Improvements in education and training
- ☒ **D** More restrictions on free trade

(Total for Question 3 = 1 mark)

4 The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = $1.53 in January 2015 to £1 = $1.26 in January 2019.

This means that the value of pound sterling against the dollar has

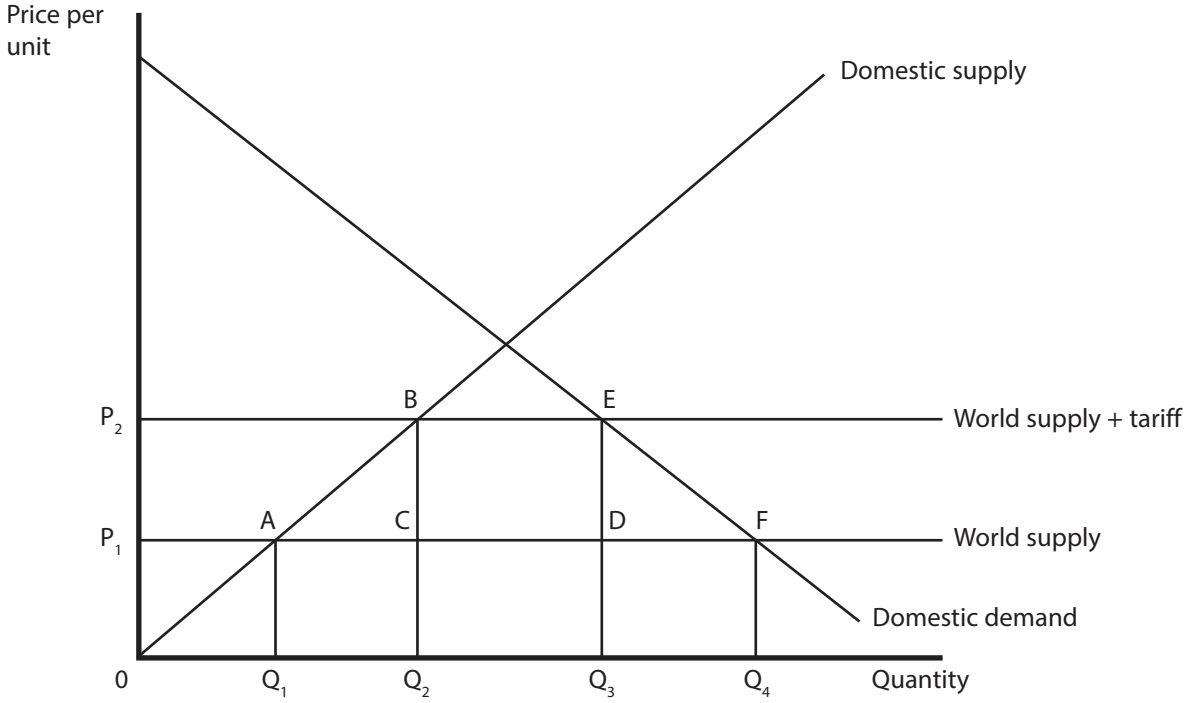
- ☒ **A** devalued
- ☒ **B** revalued
- ☒ **C** depreciated
- ☒ **D** appreciated

(Total for Question 4 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

5 The diagram illustrates the imposition of a tariff.



Which **one** of the following statements is true?

☒ **A** Government tax revenue is area BEDC

☒ **B** Net welfare loss areas are ACQ_2Q_1 and DFQ_4Q_3

☒ **C** Producer surplus has decreased by the area P_1 P_2 E F

☒ **D** Consumer surplus has increased by the area P_1 P_2 B A

(Total for Question 5 = 1 mark)

6 The table shows Sweden's GDP per capita between 2015 and 2017.

Year	GDP per capita
2015	$55 395
2016	$56 473
2017	$56 935

If 2016 is the base year, the index number for 2017 is:

☒ **A** 100.0

☒ **B** 100.8

☒ **C** 101.9

☒ **D** 102.8

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 7 BEGINS ON THE NEXT PAGE.

SECTION B

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

7 (a) With reference to Figure 1, calculate the percentage change in the number of tourists between 2012 and 2017. You are advised to show your working.

(2)

(b) With reference to Figure 1 and Extract A, analyse **two** economic benefits of the growth in the number of tourists to Mauritius.

(6)

(c) Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16).

(4)

(d) With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10).

(8)

(e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(a) With reference to Figure 1, calculate the percentage change in the number of tourists between 2012 and 2017. You are advised to show your working.

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(b) With reference to Figure 1 and Extract A, analyse **two** economic benefits of the growth in the number of tourists to Mauritius.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(c) Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16).

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(d) With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10).

(8)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C

Answer TWO questions from this section.

8 Between 2008 and 2017, Portugal's national debt increased from 71% of Gross Domestic Product (GDP) to 126% of GDP. Italy's national debt increased from 102% of GDP to 132% of GDP over the same period.

Evaluate the extent to which an increase in the national debt is a cause for concern. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

9 In January 2018 Saudi Arabia and five neighbouring countries introduced a value added tax (an indirect tax) at a rate of 5%.

Evaluate the likely macroeconomic effects of the introduction of an indirect tax on a developing country of your choice.

(Total for Question 9 = 20 marks)

10 In 2017 Turkey's deficit on the current account of the balance of payments was $47.1 billion. In the same year, France's deficit on the current account of the balance of payments was $36.8 billion.

Evaluate the possible causes of a current account deficit. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Write the answer to your FIRST chosen question here

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Write the answer to your SECOND chosen question on page 24.

Chosen question number: **Question 8** ☐ **Question 9** ☐ **Question 10** ☐

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Write the answer to your SECOND chosen question here

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

TOTAL FOR SECTION C = 40 MARKS

TOTAL FOR PAPER = 80 MARKS

GradeMax

Pearson Edexcel International Advanced Level

Tuesday 2 June 2020

Time: 2 hours | Paper Reference **WEC14/01**

Economics

International Advanced Level
Unit 4: Developments in the global economy

Source Booklet
Do not return this Source Booklet with the question paper.

Turn over ▶

P63977A

©2020 Pearson Education Ltd.

1/1/1/1/1

P 6 3 9 7 7 A

Pearson

Sources for use with Section B.

The economy of Mauritius

Figure 1 Number of tourist arrivals, 2012–2017 (millions)

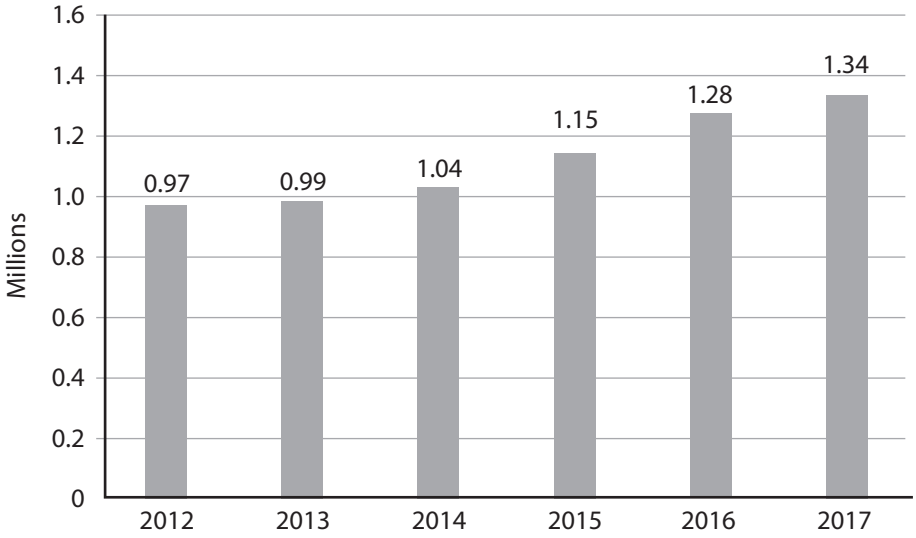
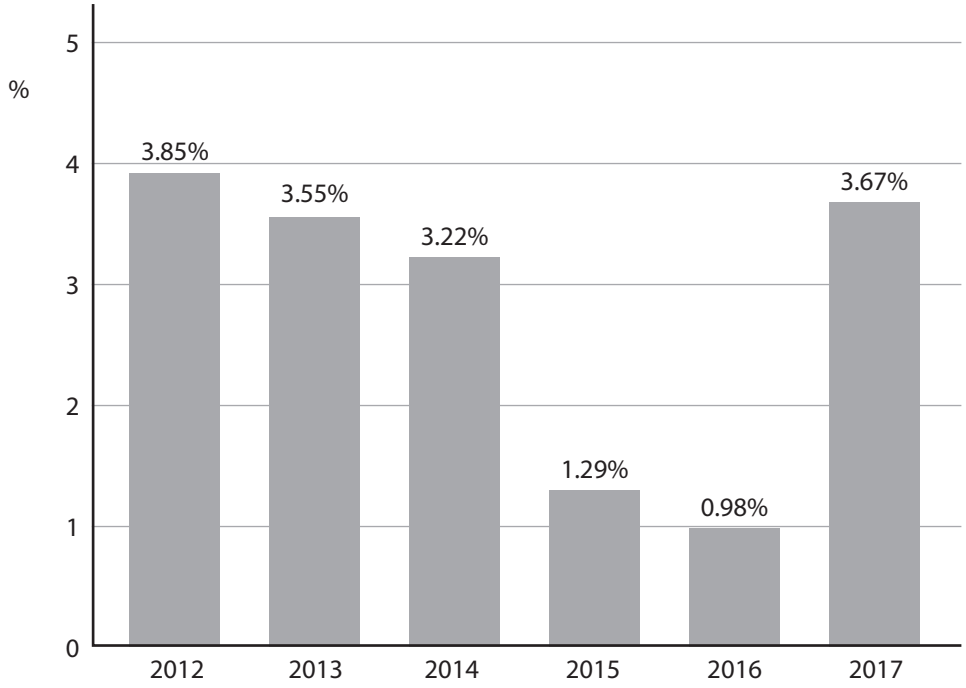


Figure 2 Annual inflation rate as measured by the Consumer Price Index, 2012–2017



Extract A Economic growth

Mauritius' economy has continued to grow steadily. Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector. Earnings from tourism exceeded $1 billion. The Government aims to further develop this sector and expects it to grow by an average of 6% every year between 2018 and 2023. Tourism contributes nearly 7% of Mauritius' GDP.

The country's economic growth was also supported by the Bank of Mauritius' reflationary monetary policy. Mauritius experienced low inflationary pressures in 2015 and 2016. This was as a result of falling global commodity and food prices. In 2017 the Bank reduced the base interest rate from 4% to 3.5%.

Public expenditure increased from 25.1% of GDP in 2016 to 25.4% of GDP in 2017. This was caused by a rise in government expenditure on public sector wages and major infrastructure projects. Over the same time period, total tax revenues increased from 21.7% of GDP to 22.5% of GDP. Higher tax revenue was received from income tax, corporation tax and indirect taxes. Consequently, there was a reduction in the fiscal deficit.

Extract B The private sector

Mauritius' private sector consists of large companies as well as many small and medium-sized enterprises (SMEs). In 2017 SMEs contributed 40% of the country's GDP and employed 55% of the country's workforce.

The private sector has the potential to grow further but a number of problems need to be addressed. The Government needs to reduce the economy's skills mismatch, increase innovation and reduce bureaucracy. It also needs to make significant improvements in the country's infrastructure.

The private sector in Mauritius suffers from a shortage of highly qualified labour. This is mainly as a result of insufficient skills and training. Innovation remains inadequate because there is a shortage of scientists and engineers. There is also a lack of finance to fund research and development.

The Government has identified several infrastructure projects for improving the country's power sources, water supply, transport and telecommunications. Financing of these infrastructure developments remains a key issue because the country has relatively high levels of public sector debt.

However, Mauritius continues to be amongst the most business-friendly countries in the region. There was a significant improvement in Mauritius' position on the World Bank's *Doing Business* index in 2018. This was as a result of substantial reforms under three indicators: starting a business, dealing with construction permits and registering property.

BLANK PAGE

Acknowledgements

Figure 1 based on data taken from https://www.statista.com/statistics/801358/tourist-arrivals-mauritius/;
Figure 2 based on data taken from https://www.statista.com/statistics/729017/inflation-rate-in-mauritius/
Extracts A and B adapted from https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/country_notes/Mauritius_country_note.pdf

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.