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

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 in 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.
- Good luck with your examination.

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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 Between 2009 and 2018 Argentina's national debt increased from approximately $186 billion to nearly $447 billion.

Which **one** of the following is the most likely effect of an increase in national debt of a country?

☒ **A** A decrease in its comparative advantage

☒ **B** A decrease in its interest rates

☒ **C** An increase in its debt servicing costs

☒ **D** An increase in the external value of its currency

(Total for Question 1 = 1 mark)

2 Armenia's Gini coefficient increased from 0.28 in 2009 to 0.34 in 2017.

Which **one** of the following is most likely to reduce Armenia's income inequality?

☒ **A** A reduction in the national minimum wage

☒ **B** An improvement in education and training

☒ **C** A decrease in progressive tax rates

☒ **D** An increase in regressive tax rates

(Total for Question 2 = 1 mark)

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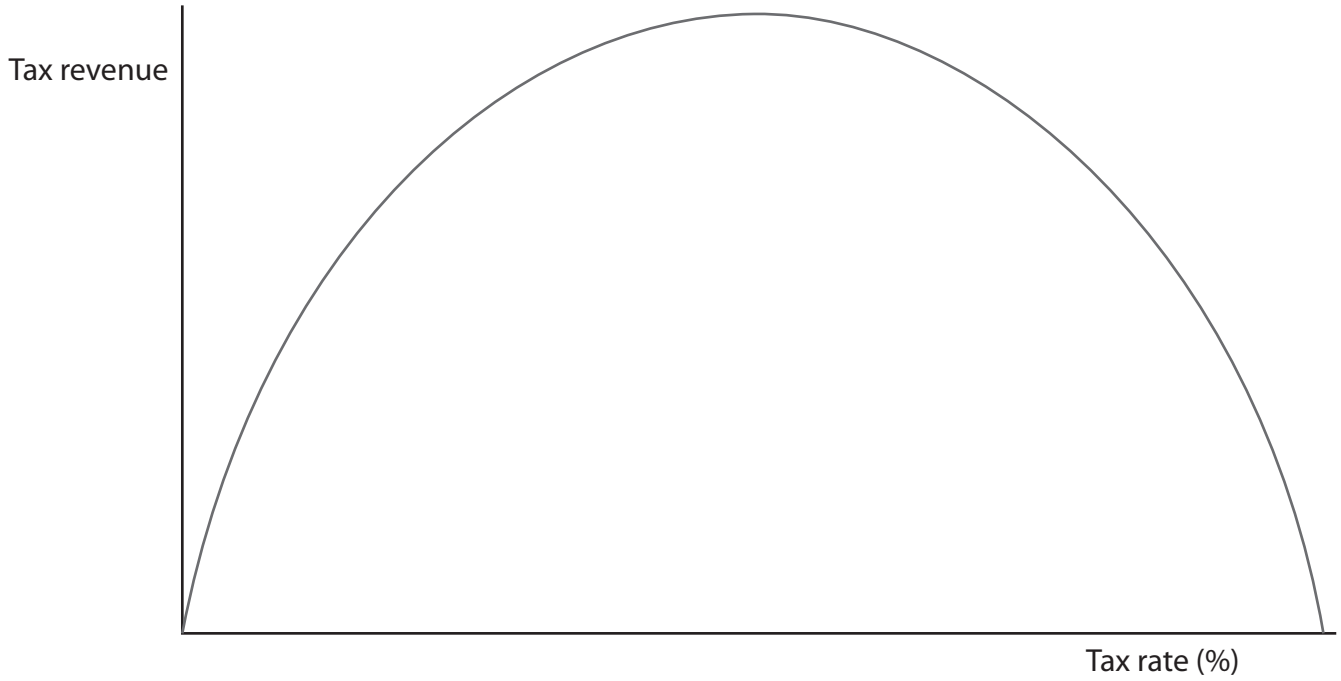
3 In 2018 the value of oil exports accounted for 85% of Nigeria's GDP.

Which **one** of the following is most likely to result from a fall in world oil prices?

- ☒ **A** A deterioration in Nigeria's current account deficit
- ☒ **B** An improvement in Nigeria's terms of trade
- ☒ **C** An increase in transportation costs in Nigeria
- ☒ **D** A reduction in Nigeria's budget deficit

(Total for Question 3 = 1 mark)

4 The diagram illustrates the relationship between tax rate (%) and government tax revenue.

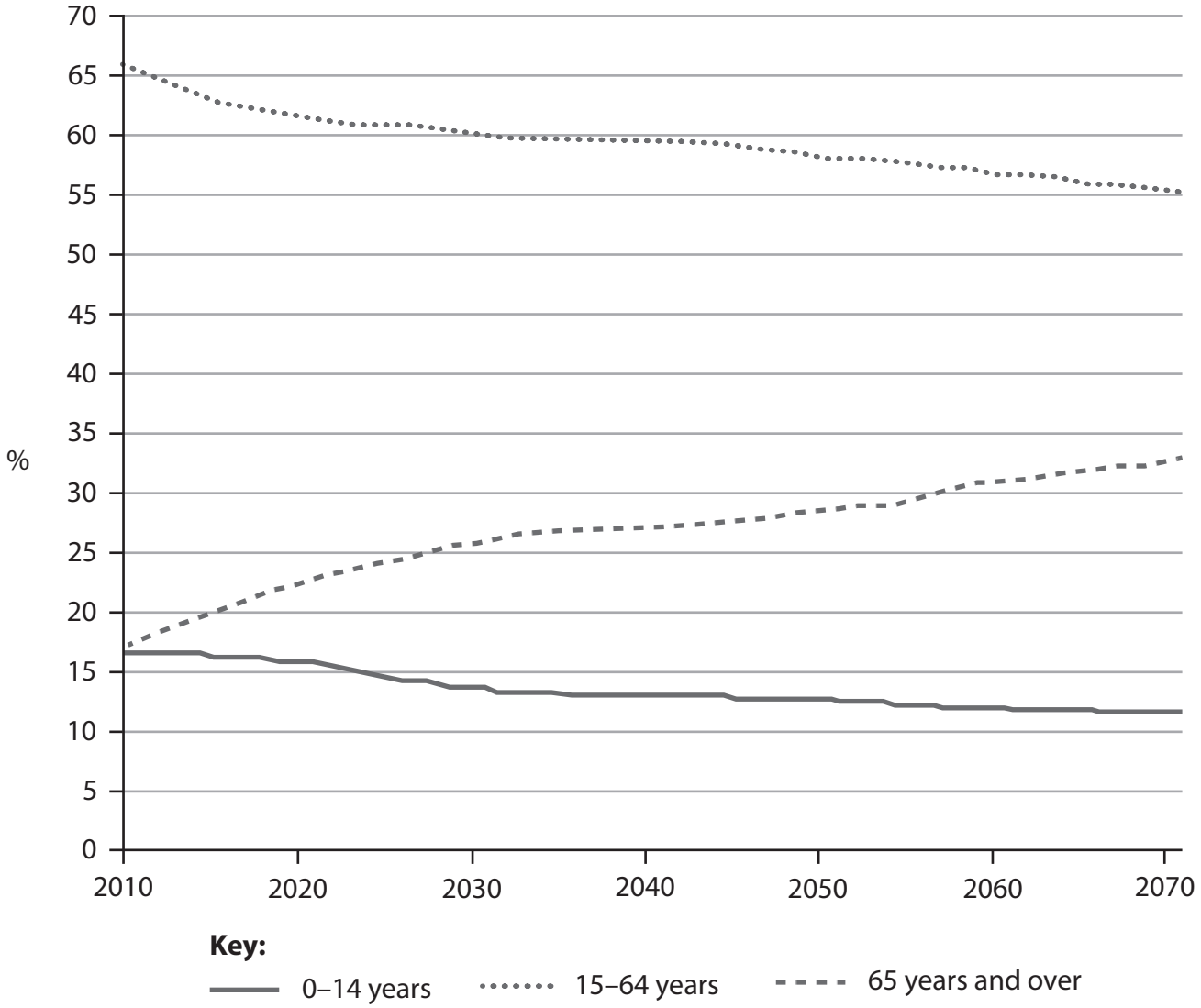


Which **one** of the following models is represented by this relationship?

- ☒ **A** The J-curve
- ☒ **B** The Phillips curve
- ☒ **C** The Lorenz curve
- ☒ **D** The Laffer curve

(Total for Question 4 = 1 mark)

5 The chart shows the age distribution of population in Finland between 2010 and 2070. The data is a forecast for 2020 to 2070.



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

- ☒ **A** The tax burden on the working population is likely to decline by 2070
- ☒ **B** Finland is likely to experience labour shortages by 2070
- ☒ **C** The working population is forecast to rise by nearly 16%
- ☒ **D** Social welfare spending on the population aged 65 years and over is likely to decrease

(Total for Question 5 = 1 mark)

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6 The table shows Afghanistan's terms of trade between 2015 and 2017 (2000=100).

Year	Terms of trade
2015	154.4
2016	163.8
2017	169.0

Ceteris paribus, which **one** of the following can be deduced from the data?

- ☒ **A** The value of Afghanistan's imports have risen relative to the value of its exports
- ☒ **B** The average price of Afghanistan's exports have fallen relative to the average price of its imports
- ☒ **C** Afghanistan is likely to experience an improvement in its living standards
- ☒ **D** Afghanistan is likely to experience a deterioration in the financial account of the balance of payments

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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 space provided on the following pages.

7 In 2018, the EU's rate of inflation was 1.6%.

(a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

(2)

(b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9).

(4)

(c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3).

(6)

(d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13).

(8)

(e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.

(14)

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In 2018, the EU's rate of inflation was 1.6%.

(a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

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(b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9).

(4)

(c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3).

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(d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13).

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(e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.

(14)

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

SECTION C

Answer TWO questions from this section.

8 According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019.

Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

9 Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%.

Evaluate the case for promoting *economic development* through debt relief. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

10 Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)

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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 22.

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

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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** ☒

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TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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GradeMax

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WEC14/01**

Economics

International Advanced Level
UNIT 4: Developments in the global economy

Source Booklet

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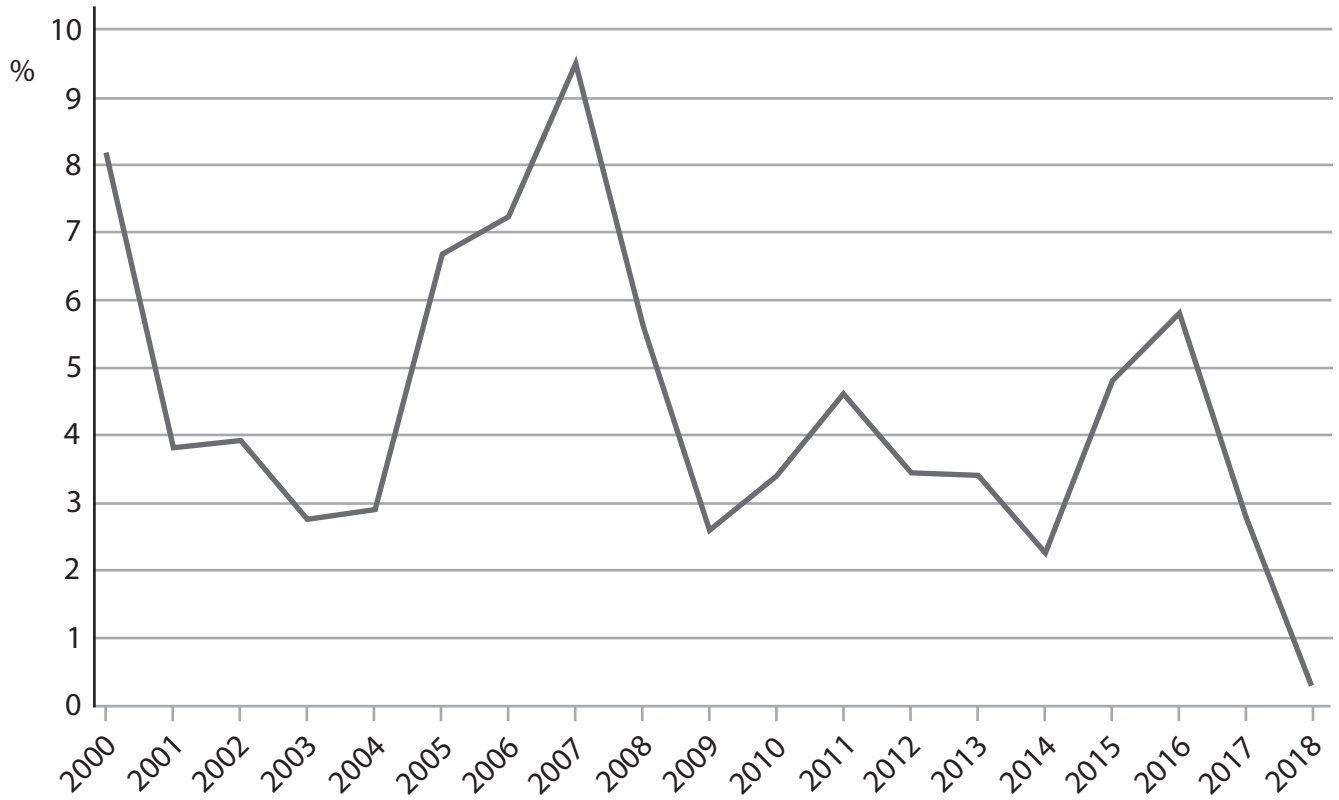
Sources for use with Section B.

The European Union (EU)

Figure 1 Annual real GDP growth rate (%), 2000–2018



Figure 2 Annual inward foreign direct investment to the EU (% of GDP), 2000-2018



Extract A Economic growth

The European Union (EU) is a customs union. Many EU countries experienced strong economic growth after 2012, four years after the global financial crisis of 2008. After some years of low domestic demand since the crisis, firms in the EU were able to take advantage of increasing consumer spending. In 2018 household expenditure rose by 2% and the EU benefited from an expansion in global trade.

The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown.

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA.

Extract B Trade agreement

In July 2019 the South American customs union, Mercosur, and the EU announced they were close to agreeing a free trade deal. If concluded it would be the largest ever trade agreement negotiated by the EU in terms of tariff reductions.

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade.

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers.

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018.

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Acknowledgements

Figure 1 based on data taken from https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=EU&start=2000

Figure 2 based on data taken from https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2018&locations=EU&start=2000

Extract A adapted from https://www.ft.com/content/e802da62-c555-11e8-8670-c5353379f7c2

Extract B adapted from https://www.ft.com/content/6e0b64f4-8edb-11e9-a1c1-51bf8f989972