GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

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.

Turn over ▶

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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 2014 and 2019 France's public expenditure as a proportion of GDP fell from 57.2% to 55.6%.

Which **one** of the following is the likely impact of a decrease in public expenditure?

☒ **A** A decrease in unemployment

☒ **B** A decrease in crowding out

☒ **C** An increase in injections

☒ **D** An increase in inflationary pressures

(Total for Question 1 = 1 mark)

2 New Zealand's Government announced that it planned to increase the tax on fuel by 4 cents per litre from July 2020.

This change in taxation is an example of an increase in which **one** of the following?

☒ **A** Progressive tax

☒ **B** Proportional tax

☒ **C** Regressive tax

☒ **D** Direct tax

(Total for Question 2 = 1 mark)

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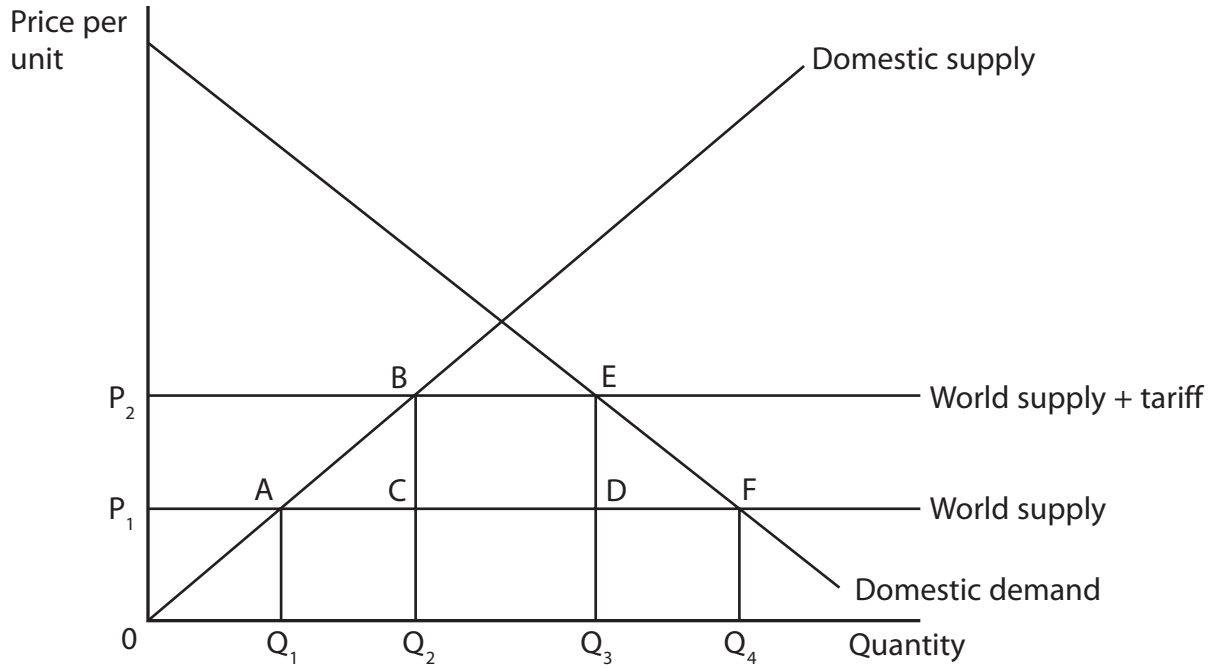
3 According to its HDI score of 0.35, Niger is the least developed country in the world.

Which **one** of the following market-orientated strategies could promote economic development in Niger?

- ☒ **A** The introduction of buffer stock schemes
- ☒ **B** State investment in human capital
- ☒ **C** State investment in infrastructure
- ☒ **D** The promotion of microfinance schemes

(Total for Question 3 = 1 mark)

4 The diagram represents the imposition of a tariff on a commodity.

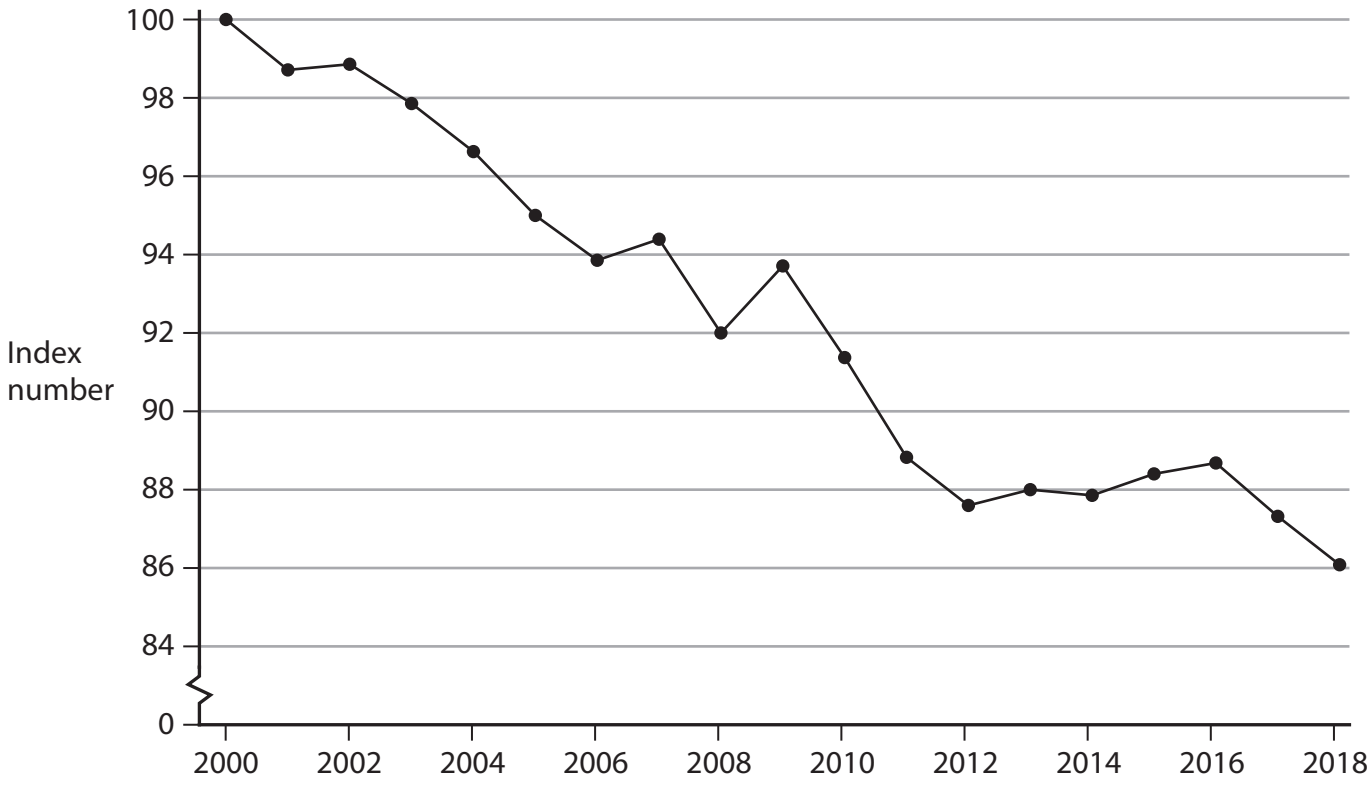


Which **one** of the following statements is true?

- ☒ **A** Consumer surplus has decreased by the area P_1P_2EF
- ☒ **B** Government tax revenue is area ABEF
- ☒ **C** Net welfare loss areas are ABQ_2Q_1 and EFQ_4Q_3
- ☒ **D** Producer surplus has decreased by the area P_1P_2BA

(Total for Question 4 = 1 mark)

5 The chart shows Austria's terms of trade between 2000 and 2018, (2000 = 100).



Which **one** of the following can be deduced from the chart over the period 2000–2018?

- ☒ **A** Export prices and import prices have fallen at the same rate
- ☒ **B** Import prices have risen at a faster rate than export prices
- ☒ **C** Export prices have risen at a faster rate than import prices
- ☒ **D** Import prices have fallen relative to export prices

(Total for Question 5 = 1 mark)

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6 Between 2018 and 2019 the Netherlands' rank on the Global Competitiveness Index increased from sixth to fourth. This was as a result of an increase in its labour productivity.

Which **one** of the following combinations is the most likely impact of an increase in labour productivity?

		Unit labour costs	Export prices
☒	**A**	Fall	Fall
☒	**B**	Fall	Rise
☒	**C**	Rise	Fall
☒	**D**	Rise	Rise

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the space provided on the following pages.

7 (a) The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12–13).

Calculate Zambia's base interest rate in April 2019. You are advised to show your working.

(2)

(b) Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15).

(6)

(c) With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'.

(4)

(d) With reference to the information provided, examine **two** problems arising from the dependence on copper for the Zambian economy.

(8)

(e) Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth.

(14)

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C

Answer TWO questions from this section.

8 In 2019 the rate of economic growth was over 6% in both India and China.

Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice in your answer.

(Total for Question 8 = 20 marks)

9 The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.

Evaluate the possible benefits of specialisation and trade to a developed country of your choice.

(Total for Question 9 = 20 marks)

10 In 2019 the current account deficit on the balance of payments in Turkey was US$47.4 billion and in Argentina it was US$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(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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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 ☒.

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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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Total Marks

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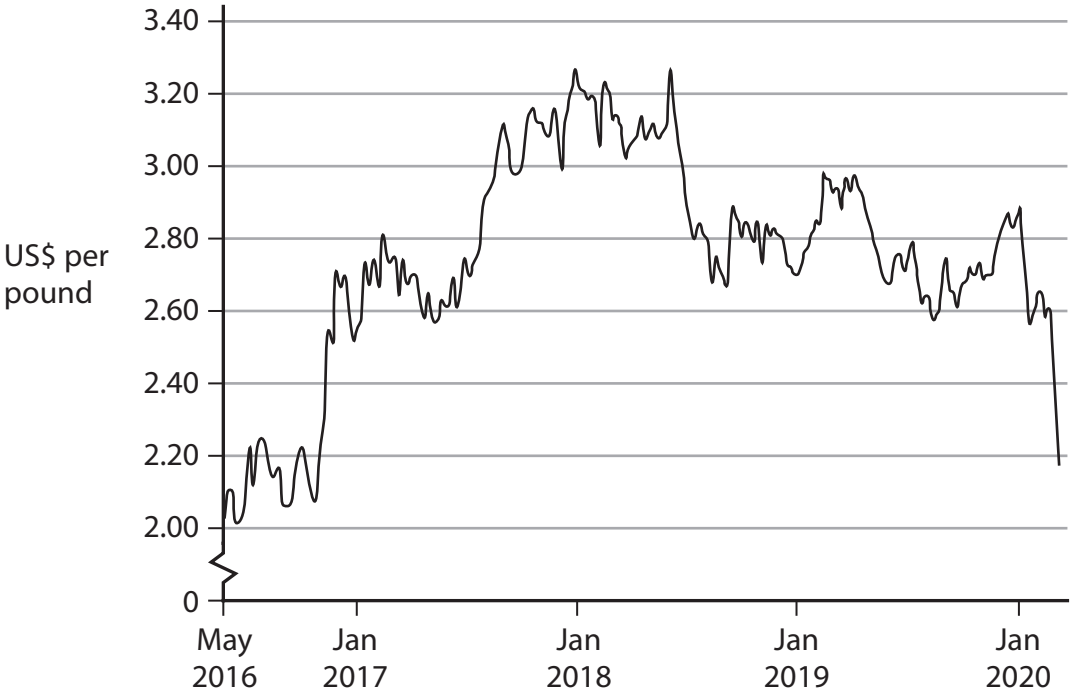
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Sources for use with Section B.

Zambia's economy

Figure 1 World copper prices, US$ per pound, 2016–2020



Extract A Economic outlook

Zambia is a landlocked country of 17 million people. It achieved middle-income country status in 2011. Zambia had been one of the fastest growing economies in Africa. Between 2004 and 2014, real GDP grew by an average of 7.5% per year. Between 2014 and 2018, Zambia's economy continued to grow but at a slower rate.

In 2019 uncertainty in global markets, and a slower pace of economic recovery in many advanced countries, were major constraints on Zambia's economic growth prospects. This was mainly because of the country's heavy reliance on copper exports. Zambia is the world's seventh-largest copper producer. Copper contributes to 30% of Zambia's GDP, 70% of its export earnings and more than 25% of its tax revenues.

Zambia's rate of inflation rose from 7.5% in 2018 to 9.2% in 2019. The inflation rate was forecast to remain high. This prompted the Bank of Zambia to raise the base interest rate by 1.75 percentage points to 11.5% between April and November 2019. This change in the interest rate affected Zambia's exchange rate. Consequently, this had a considerable impact on Zambia's balance of trade with South Africa, a major trading partner of Zambia. Over 55% of Zambia's imports are from South Africa.

Zambia has low human development indicators. Poverty and income inequality are very high by international standards. The Gini coefficient in 2018 was 0.50. The quality of education, healthcare and infrastructure was also weak. Wages in Zambia were lower than in most middle-income countries.

Increased trade tensions between the USA and China led to a decline in the global demand for copper. The subsequent fall in the price of copper decreased Zambia's real GDP growth rate from 4% in 2018 to 2% in 2019.

Between January and May 2020 Zambia's currency, the *kwacha*, depreciated by 30% against the US dollar. This was as a result of falling foreign currency reserves caused by debt servicing and low production in the copper mining sector.

To reduce the impact of such external shocks it would be beneficial for Zambia to move away from its dependence on copper mining. The Government identified developments in tourism, infrastructure, and information and communication technology as the areas for economic diversification. These developments would help to increase Zambia's real GDP in the long-term.

Acknowledgements

Figure 1 based on data taken from https://www.macrotrends.net/1476/copper-prices-historical-chart-data

Extract A adapted from
https://tradingeconomics.com/zambia/
https://www.afdb.org/en/countries/southern-africa/zambia
https://www.worldbank.org/en/country/zambia/overview#1
https://www.tralac.org/resources/our-resources/13594-zambia-intra-africa-trade-and-tariff-profile.html