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.

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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 The Government of Qatar announced that it would spend $200 billion to build an airport, new roads, railways and stadiums needed for the 2022 football World Cup.

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

☒ **A** Capital expenditure

☒ **B** Current expenditure

☒ **C** Progressive taxation

☒ **D** Transfer payments

(Total for Question 1 = 1 mark)

2 In 2020 the value of Norway's currency, the krone, fell significantly against the US dollar. Norway's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Norway's central bank be most likely to use if it wanted to raise the value of the krone against the US dollar?

	Krone	US dollar
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

(Total for Question 2 = 1 mark)

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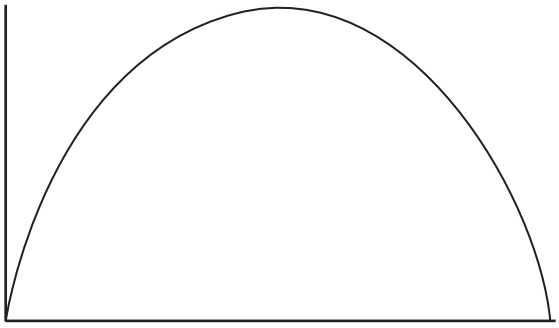
3 Chad is one of the least developed countries in the world with a HDI score of 0.40.

Which **one** of the following interventionist strategies could promote economic development in Chad?

- ☒ **A** Privatisation of nationalised industries
- ☒ **B** Removal of government subsidies
- ☒ **C** Implementation of protectionist policies
- ☒ **D** Trade liberalisation

(Total for Question 3 = 1 mark)

4 The diagram illustrates the Laffer curve for a developed country.



Which **one** of the following statements is true about the Laffer curve?

- ☒ **A** It shows the relationship between the level of investment and the savings rate
- ☒ **B** It shows the relationship between government tax revenue and the tax rate
- ☒ **C** It shows the relationship between the rate of inflation and the unemployment rate
- ☒ **D** It shows the relationship between quantitative easing and the rate of interest

(Total for Question 4 = 1 mark)

5 The table shows Maldives' index of export prices and index of import prices between 2015 and 2018, (2000=100).

Year	Index of export prices	Index of import prices
2015	157.2	156.0
2016	154.2	150.5
2017	168.6	156.8
2018	179.2	166.6

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

☒ **A** Between 2000 and 2018 Maldives' terms of trade improved by 7.6%

☒ **B** Maldives had to export the same amount of goods to purchase a given quantity of imports each year

☒ **C** Maldives' index of import prices exceeded its index of export prices throughout the given period

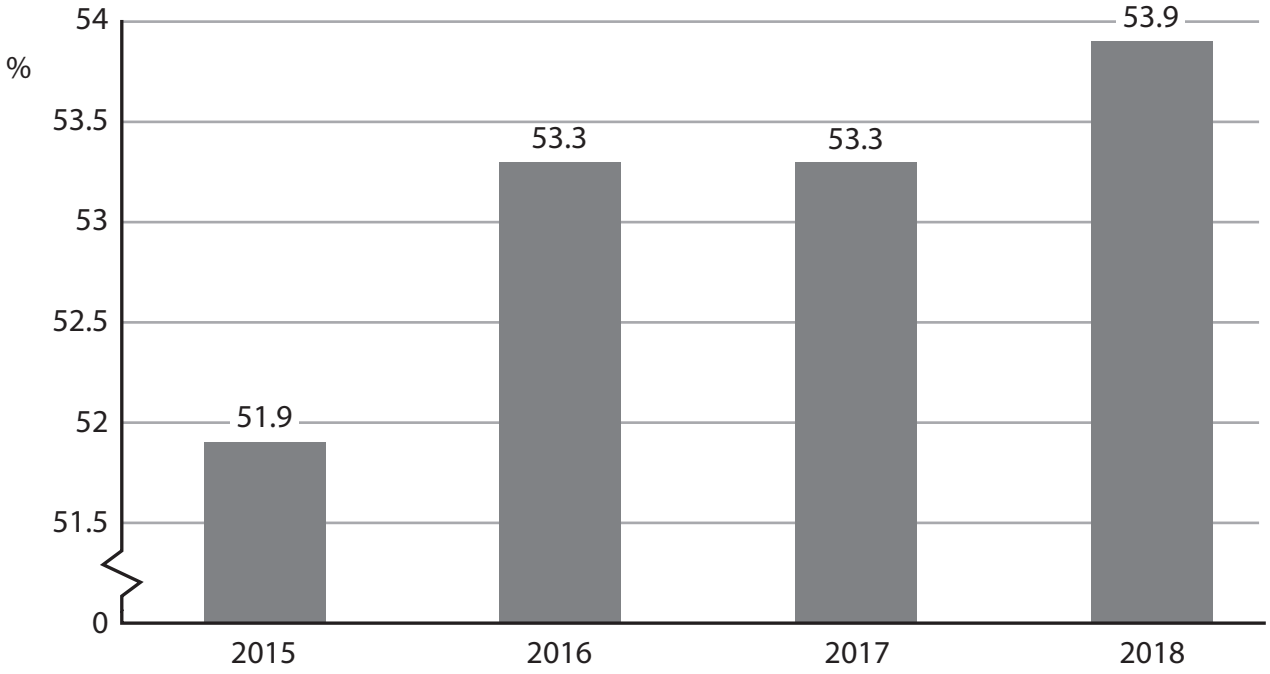
☒ **D** Between 2000 and 2016 Maldives' terms of trade worsened by 2.5%

(Total for Question 5 = 1 mark)

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6 The chart shows Brazil's Gini coefficient, expressed as a percentage, between 2015 and 2018.



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

- ☒ **A** Between 2015 and 2016 the distribution of income in Brazil became more equal
- ☒ **B** Between 2016 and 2017 Brazil experienced perfect income equality
- ☒ **C** Between 2017 and 2018 income inequality in Brazil increased by 0.6%
- ☒ **D** Between 2015 and 2018 Brazil's Lorenz curve shifted further away from the line of perfect equality

(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) With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working.

(2)

(b) Analyse **two** reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4–5).

(6)

(c) Explain what is meant by a 'tariff' (Extract A, line 7).

(4)

(d) With reference to the information provided and your own knowledge, examine **two** likely problems arising from the fall in the number of Chinese tourists to Taiwan.

(8)

(e) Discuss policies, apart from tourism, being implemented by the Taiwanese Government to reduce its dependence on China.

(14)

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(a) With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working.

(2)

(b) Analyse **two** reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4–5).

(6)

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(c) Explain what is meant by a 'tariff' (Extract A, line 7).

(4)

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(d) With reference to the information provided and your own knowledge, examine **two** likely problems arising from the fall in the number of Chinese tourists to Taiwan.

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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 it was estimated that a large proportion of the fiscal deficit in Japan and the UK was structural.

Evaluate whether a structural fiscal deficit is a more serious issue than a cyclical fiscal deficit. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

9 Between 2007 and 2017 income inequality increased in Denmark and in Italy.

Evaluate possible causes of an increase in income inequality within a developed country of your choice.

(Total for Question 9 = 20 marks)

10 In 2020 Argentina's currency, the peso, fell by 75% against the US dollar.

Evaluate factors that influence the exchange rate of a currency. Refer to a developing 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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Write the answer to your SECOND chosen question here.

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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 economy of Taiwan

Figure 1 International visitors to Taiwan from selected countries, millions, 2015–2019

Country	2015	2016	2017	2018	2019
China	4.18	3.51	2.73	2.70	2.71
Japan	1.63	1.90	1.90	1.97	2.17
The Philippines*	0.14	0.17	0.29	0.42	0.51
Thailand*	0.12	0.20	0.23	0.32	0.41
Vietnam*	0.15	0.20	0.38	0.49	0.41

* represents Southeast Asian countries

Extract A Economic independence

China is Taiwan's most important trading partner and it is the main destination for Taiwan's exports. Much of Taiwan's foreign direct investment also goes to China. Since the 1980s over 100 000 Taiwanese firms moved to China to set up their manufacturing facilities. They were attracted by cheap labour and a large Chinese market.

After the USA imposed tariffs on several Chinese-made goods in 2018, Taiwanese firms started moving production from China to other countries. The average tariff is 19.3% on US imports from China.

The Taiwanese Government believed that it was essential for Taiwan to become less dependent on China. This was supported by a three-year reshoring plan, starting in 2019, that involved encouraging domestic firms to move back to Taiwan. This plan included:

- incentives that made it easier to buy land and register property
- investment in infrastructure to ensure the continuous provision of gas, electricity and water supply
- subsidies and tax incentives for the technology sector.

Taiwanese firms agreed to invest $33 billion in Taiwan between 2019 and 2021. However, of that amount, only $6.8 billion was invested in 2019 and only $1.1 billion in 2020. This reluctance to invest was mainly because several large Taiwanese firms were discouraged from relocating back to Taiwan. Bureaucracy and severe shortages of highly skilled labour were the two most significant reasons given by these firms.

Even before the reshoring plan, the Taiwanese Government had initiated the New Southbound Policy (NSP) in 2016 to reduce its economic dependence on China. This policy was designed to increase trade between Taiwan and countries in South Asia and Southeast Asia. However, China accounted for nearly 40% of Taiwan's exports in 2019, twice that of the countries covered by the NSP. China also has strong trade links with Southeast Asian countries. This has limited the extent to which Taiwan can promote its own trade relationships and cooperation with these countries.

Tourism is another sector where Taiwan has reduced its reliance on China. However, Taiwan has made up for the fall in Chinese tourists by attracting more visitors from Japan and countries in Southeast Asia.

Reducing dependency on China for tourism and trade will not be easy and it is becoming an important issue for a number of countries.

Acknowledgements

Figure 1 based on data taken from Tourism Statistics Database of the Taiwan Tourism Bureau, https://stat.taiwan.net.tw/

Extract A adapted from Taiwan Shows How to Carefully Snip Chinese Economic Ties, https://foreignpolicy.com/2020/07/24/taiwan-china-economic-ties-decoupling/