Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Wednesday 21 January 2026

Afternoon (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 In Estonia incomes are taxed at a rate of 22%.

Which **one** of the following results from this tax system?

☒ **A** High-income earners have a lower disposable income than low-income earners

☒ **B** High-income earners pay the same amount of tax on their incomes as low-income earners

☒ **C** Low-income earners pay the same proportion of their incomes in tax as high-income earners

☒ **D** Low-income earners pay a higher proportion of their incomes in tax than high-income earners

(Total for Question 1 = 1 mark)

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2 Between Q4 2023 and Q1 2025 there was an improvement in New Zealand's terms of trade.

Ceteris paribus, which **one** of the following might have caused this improvement in New Zealand's terms of trade?

☒ **A** The average price of exports increased at a faster rate than the average price of imports

☒ **B** The average price of exports decreased and the average price of imports increased

☒ **C** The total value of exports decreased and the total value of imports increased

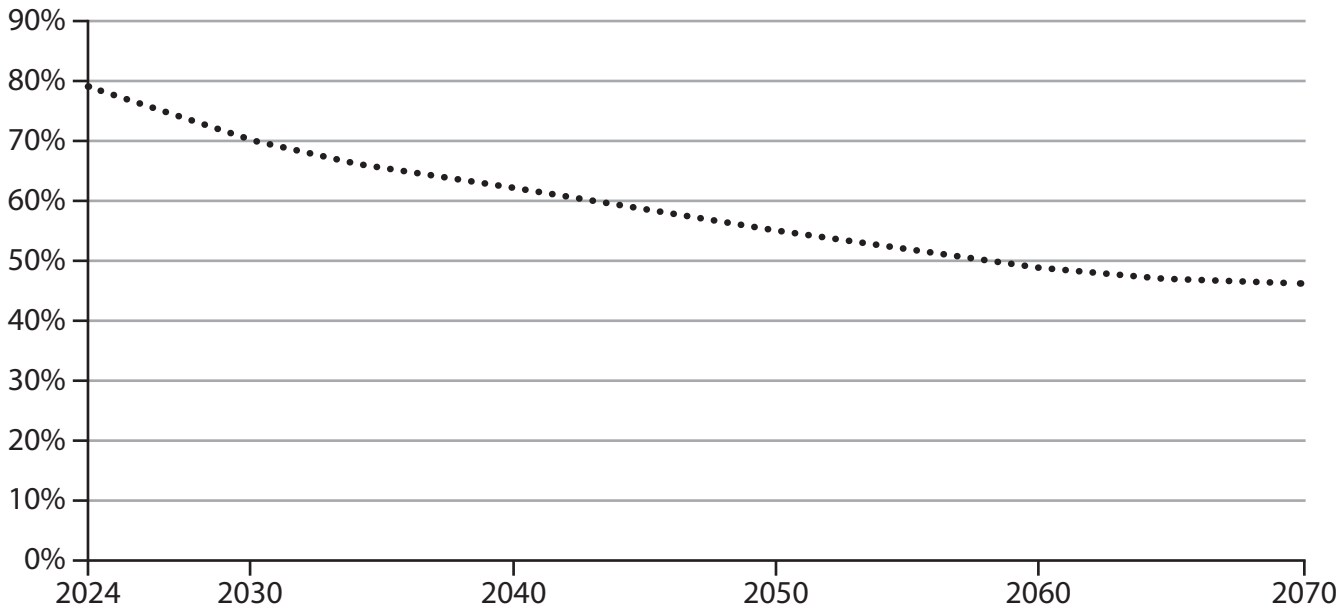
☒ **D** The total value of exports increased and the total value of imports decreased

(Total for Question 2 = 1 mark)

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3 The chart shows the forecast of the dependency ratio in Nigeria between 2024 and 2070.

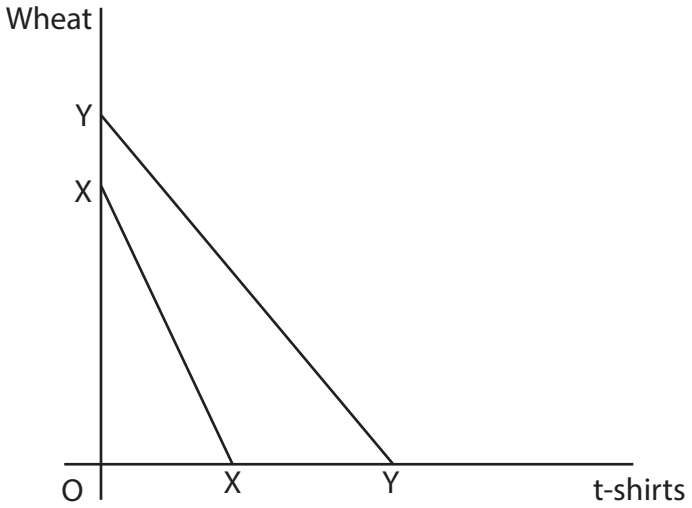


Ceteris paribus, which **one** of the following is the most likely consequence of this forecast trend in the dependency ratio?

- ☒ **A** A decrease in the number of immigrants aged between 16 and 64
- ☒ **B** A decrease in the number of people working in the public sector of the economy
- ☒ **C** An increase in the proportion of the population aged between 16 and 64
- ☒ **D** An increase in the proportion of the population aged between 0 and 15

(Total for Question 3 = 1 mark)

4 In the diagram XX and YY represent the production possibility frontiers of Country X and Country Y.



Which **one** of the following can be deduced from the information provided?

☒ **A** Country X has an absolute advantage in the production of both wheat and t-shirts

☒ **B** Country Y has a comparative advantage in the production of wheat

☒ **C** Country Y would not benefit from international trade with Country X

☒ **D** Country X has a comparative advantage in the production of wheat

(Total for Question 4 = 1 mark)

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5 In early 2025 the Governments of the USA, UK, Germany and France announced significant reductions in aid to Ethiopia. As a result, by the start of June 2025, only about 10% of the estimated aid required had been received.

Ceteris paribus, which **one** of the following is the most likely effect of this reduction in aid to Ethiopia?

- ☒ **A** Ethiopia's Lorenz curve will move further away from the line of perfect equality
- ☒ **B** Ethiopia's Gini coefficient will decrease
- ☒ **C** Ethiopia's Lorenz curve will move closer to the line of perfect equality
- ☒ **D** Ethiopia's Gini coefficient will become negative

(Total for Question 5 = 1 mark)

6 In 2024 Malawi had a balance of trade deficit of $2.31 billion and its rate of inflation was 32.2%.

Which **one** of the following policies is most likely to reduce both the trade deficit **and** the rate of inflation in the short-run?

- ☒ **A** An increase in the money supply
- ☒ **B** A decrease in interest rates
- ☒ **C** A decrease in subsidies paid to exporters
- ☒ **D** An increase in income tax rates

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Study Figures 1 and 2 and Extracts A, B and C 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 increase in the USA's balance of trade deficit between 2000 and 2024. You are advised to show your working.

(2)

(b) With reference to the third paragraph of Extract A, explain what is meant by 'real median earnings'.

(4)

(c) With reference to Extract A, analyse **two** possible effects of dumping on the market for solar panels in the USA.

(6)

(d) With reference to Figure 1, Figure 2 and Extract C, examine **two** reasons why a government with a persistent balance of trade deficit might budget for a fiscal deficit.

(8)

(e) With reference to the information provided and your own knowledge, discuss reasons why the Government of the USA proposed to increase tariffs.

(14)

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7 (a) With reference to Figure 1, calculate the percentage increase in the USA's balance of trade deficit between 2000 and 2024. You are advised to show your working.

(2)

(b) With reference to the third paragraph of Extract A, explain what is meant by 'real median earnings'.

(4)

(c) With reference to Extract A, analyse **two** possible effects of dumping on the market for solar panels in the USA.

(6)

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(d) With reference to Figure 1, Figure 2 and Extract C, examine **two** reasons why a government with a persistent balance of trade deficit might budget for a fiscal deficit.

(8)

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(e) With reference to the information provided and your own knowledge, discuss reasons why the Government of the USA proposed to increase tariffs.

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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SECTION C

Answer TWO questions from this section.

8 Between 2013 and 2023 the Gini coefficient increased from 26.0 to 29.5 in Germany and from 40.0 to 47.0 in Burkina Faso.

Evaluate government policies that could be used to reduce income inequality within a country of your choice.

(Total for Question 8 = 20 marks)

9 In Slovakia the standard VAT (sales tax) rate was increased from 20% to 23% on 1 January 2025.

Evaluate the likely macroeconomic effects of an increase in indirect taxes.

Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

10 Guyana's nominal GDP increased from $3.97bn in 1990 to $14.72bn in 2022. Over the same period its Human Development Index increased from 0.509 to 0.742.

Evaluate the impact of economic growth on economic development.

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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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** ☒

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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

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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 the USA

Figure 1 Balance of trade, $ billion, 2000–2024

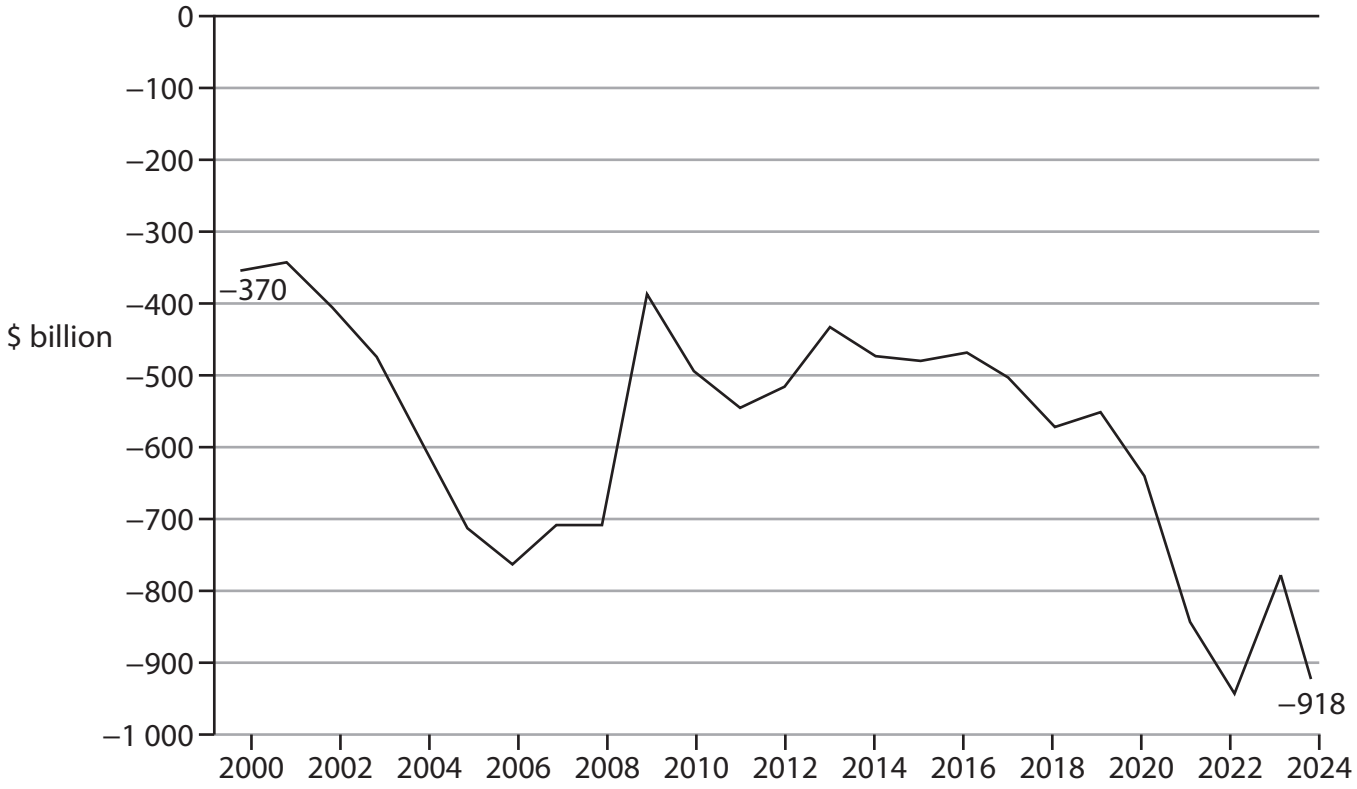
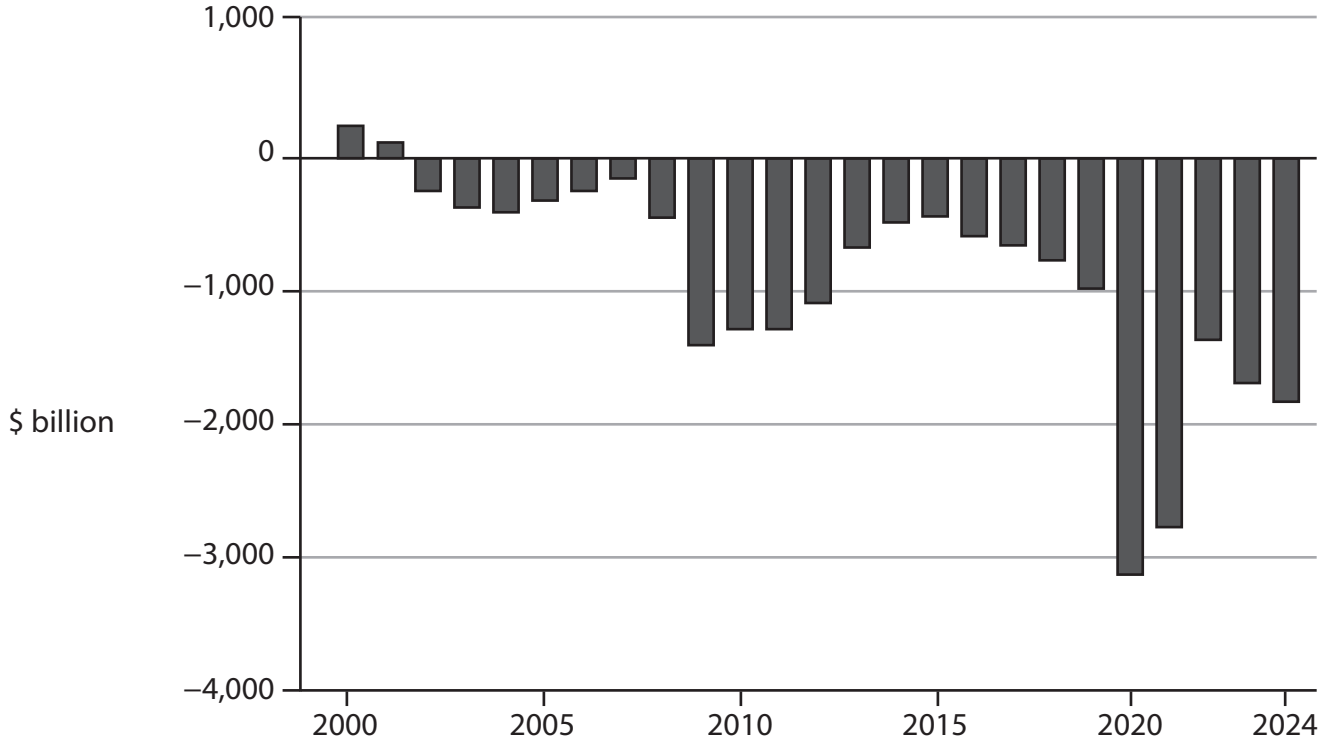


Figure 2 Fiscal balance, 2000–2024, $ billion



Extract A The case for tariffs

In 2025 Donald Trump, President of the USA, declared a national emergency and proposed raising tariffs significantly on trading partners. For many years, under the rules of the World Trade Organization (WTO), the USA has faced high tariffs from its major trading partners.

In addition to tariffs, other significant barriers to trade are used by foreign countries to restrict exports from the USA. These barriers include dumping, export subsidies and quotas. For example, dumping can lead to a decrease in domestic production and to a decrease in employment. In the long-run, it is likely to lead to a decrease in competition resulting in increased prices. In December 2024 the Government of the USA imposed anti-dumping tariffs on solar panel manufacturers in Thailand, Cambodia, Malaysia and Vietnam. It also argued that many cheap imports from countries in Asia, Africa and Latin America result from the exploitation of workers. In addition, transporting goods from these countries contributes to an increase in pollution.

Since 1975 the USA has had a balance of trade in goods deficit. This has been increasing significantly and, since 2021, the deficit has been over $1 trillion. Since 1979 there has been a loss of 6.8 million jobs in manufacturing industries. Between 2001 and 2024 real median earnings in the USA have only increased from $333 per week to $371 per week.

Extract B The impact of tariffs

In 2018 the Government of the USA imposed tariffs ranging from 20% to 50% on imported washing machines and spin dryers. It believed that tariffs would protect domestic manufacturing industries.

However, each of these jobs resulted in a significant cost for consumers. The tariffs raised the average price of a washing machine and a spin dryer by $86 and $92 respectively. The total cost of these tariffs to consumers was just over $1.5 billion annually. One reason for this was that domestic manufacturers also raised their prices by nearly the same amount as their foreign competitors. The AER study found that while tariffs increased the number of jobs in specific sectors, they did not affect total employment because the USA was already close to full employment.

Extract C Twin deficits

The effects of a balance of trade deficit are similar to the effects of a recession. This is because many of the dollars earned by consumers in the USA are not being spent in the US economy. Instead, this money is spent on imports. Therefore, the persistent balance of trade deficit means that aggregate demand falls relative to aggregate supply.

In response, the Government of the USA has consistently budgeted for fiscal deficits. This increases aggregate demand to make up for the loss of aggregate demand caused by balance of trade deficits. Government spending helps to increase expenditure by consumers and businesses.

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Acknowledgements

Figure 1 adapted from:
https://data.worldbank.org/indicator/BN.GSR.GNFS.CD?end=2023&locations=US&start=2000

Figure 2 adapted from:
https://www.reuters.com/markets/global-markets-graphic-graphic-2024-11-28/

Extract A adapted from:
https://www.ft.com/content/f313eea9-bd4f-4866-8123-a850938163be
https://www.investmentguide.co.uk/dumping-definition-and-its-impact-on-trade/
https://www.pv-tech.org/us-sets-antidumping-duties-for-southeast-asian-solar-cells/

Extract B adapted from:
https://www.forbes.com/sites/daniellechemtob/2025/02/12/how-will-tariffs-impact-you-heres-what-to-know-about-trumps-plans/

Extract C adapted from:
https://prosperousamerica.org/how-budget-deficits-grow-due-to-trade-deficits/