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| Write your name here                                                      |                                   |
| Surname                                                                   | Other names                       |
| <b>Edexcel</b>                                                            | Centre Number                     |
| <b>International GCSE</b>                                                 | Candidate Number                  |
| <h1 style="margin: 0;">Economics</h1> <h2 style="margin: 0;">Paper 1</h2> |                                   |
| Wednesday 22 May 2013 – Afternoon<br><b>Time: 2 hours 30 minutes</b>      | Paper Reference<br><b>4EC0/01</b> |
| <b>You do not need any other materials.</b>                               | 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.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 120.
- 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.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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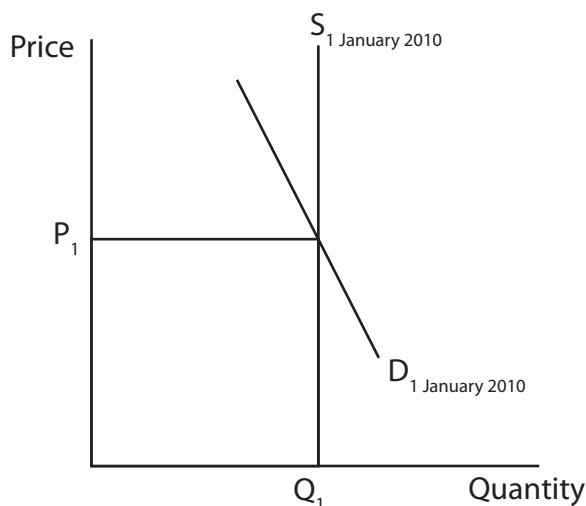
PEARSON

**Answer ALL questions**

**Some questions must be answered with a cross  $\boxtimes$ . If you change your mind about an answer, put a line through the box  $\boxtimes$  and then mark your new answer with a cross  $\boxtimes$ .**

- 1** The world price of a barrel of crude oil (which can be refined into petrol and diesel) increased by almost 50% from January 2010 to January 2012.

Figures 1a and 1b show the demand and supply of crude oil.



**Figure 1a**

- (a) (i) Identify and briefly explain **one** supply factor which could have led to the increase in the world price of crude oil from January 2010 to January 2012.

(2)

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- (ii) On Figure 1a above, draw a new supply curve  $S_2$  to show the effect of the supply factor identified in (a) (i).

(1)

- (iii) Identify and briefly explain **one** demand factor which could have led to the increase in the world price of crude oil from January 2010 to January 2012.

(2)

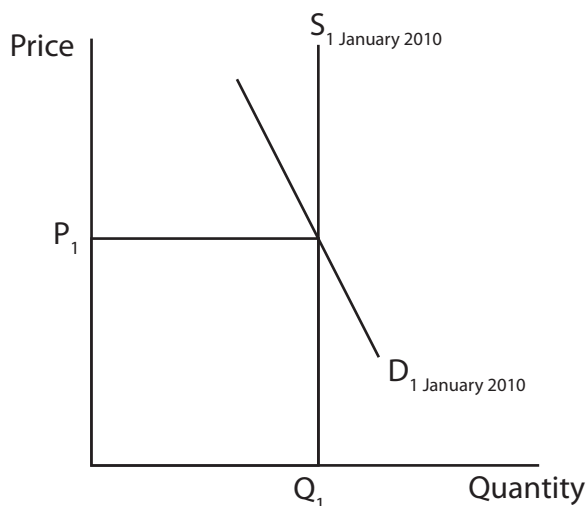
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**Figure 1b**

(iv) On Figure 1b above, draw a new demand curve  $D_2$  to show the effect of the demand factor identified in (a)(iii).

(1)

(b) Nigeria is an oil producing country. In January 2012 the government of Nigeria announced plans to end its subsidy on petrol and diesel.

(i) What is meant by a 'subsidy'?

(2)

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The Nigerian government stated that some of the money it would have spent on subsidies would now be spent on improving the infrastructure of Nigeria.

(ii) Choosing to spend money on infrastructure rather than expenditure on subsidies is an example of

(1)

- ☐ taxation
- ☐ opportunity cost
- ☐ monetary policy



(iii) Identify **one** possible item of government expenditure on infrastructure.

(1)

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In most countries the demand for petrol and diesel is price inelastic.

(c) (i) Define price elasticity of demand.

(2)

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(ii) Identify and briefly explain **two** factors which might cause the demand for petrol and diesel to be price inelastic in a country.

(4)



(iii) Assess the importance of price elasticity of demand when firms make their price decisions.

(6)

(d) Nigeria has a mixed economy.

(i) What is meant by a 'mixed economy'?

(2)



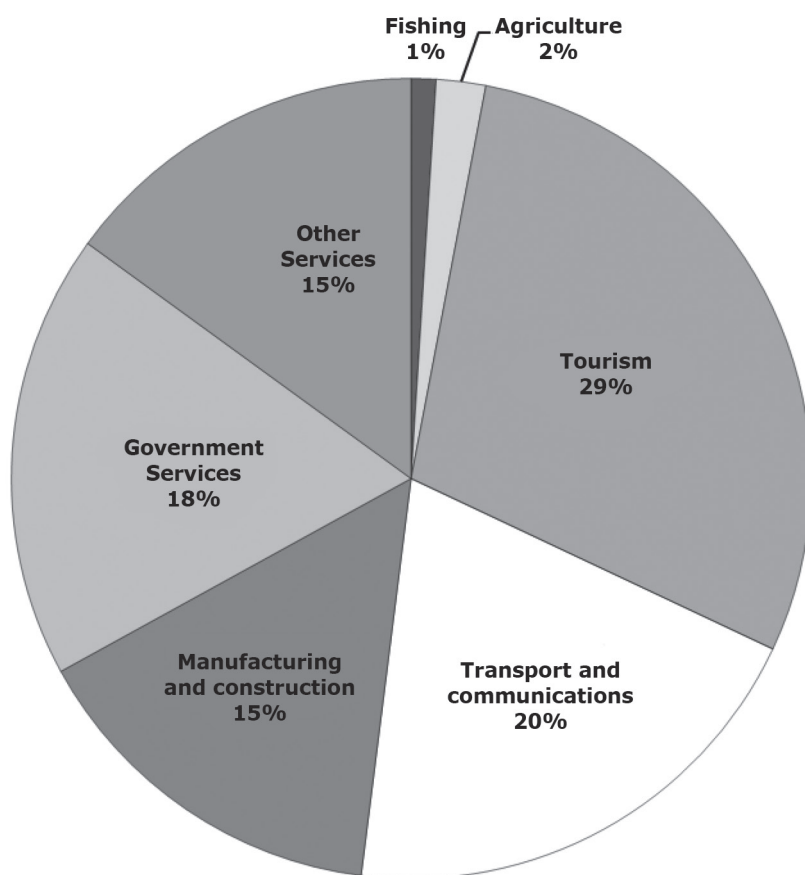
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**(Total for Question 1 = 30 marks)**

- 2 Figure 2a shows the estimated percentages of Gross Domestic Product (GDP) contributed by different sectors in the Maldives' economy in 2012.

**Estimated percentages of GDP in 2012**



(Source: © 2007, Republic of Maldives, United Nations Development Programme)

**Figure 2a**

- (a) (i) Using the data in Figure 2a, which sector contributes the most to the GDP of the Maldives?

(1)

- (ii) Identify the sector of the Maldives' economy shown in Figure 2a which includes

1 the police

(1)

2 the production of hand woven mats.

(1)



(iii) Using the data in Figure 2a identify the smallest economic sector of the Maldives' economy.

(1)

- ☐ Primary Sector
- ☐ Secondary Sector
- ☐ Tertiary Sector

(iv) With reference to Figure 2a explain your answer to (a)(iii).

(2)

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(b) Until 2006 Dhiraagu was the only telecommunications company in the Maldives. In 2006 another telecommunications company, Wataniya Telecom, became operational and began to compete in the market.

(i) Before 2006 the telecommunications industry in the Maldives could be described as a monopoly. After 2006 the industry could be described as being

(1)

- ☐ more competitive
- ☐ in the public sector
- ☐ less competitive
- ☐ illegal

(ii) Monopolies are always disadvantageous for consumers.

To what extent do you agree? Give reasons for your answers.

(6)

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(c) In some countries telecommunications firms act as a cartel.

Complete the following paragraph from the list below.

(4)

profits

high

price-fixing

consumer

In a cartel firms join together and engage in (i) .....

agreements. The aim of forming cartels is to maximise

(ii) ..... and allow firms to act as if they were in a

monopoly situation. They charge (iii) ..... prices and

produce less output. Many governments see cartels as against

(iv) ..... interest, so make cartels illegal.



(d) In March 2012 Nissan announced that its new car would be built at its factory in the UK. Nissan will invest £125 million in the project and the UK government will provide a further £9.3 million grant from the Regional Growth Fund.

(i) Distinguish between a government loan and a government grant.

(3)

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(ii) **Apart from loans and grants**, identify and explain **two** incentives a government could use to encourage firms to set up in a particular region of the country.

(4)

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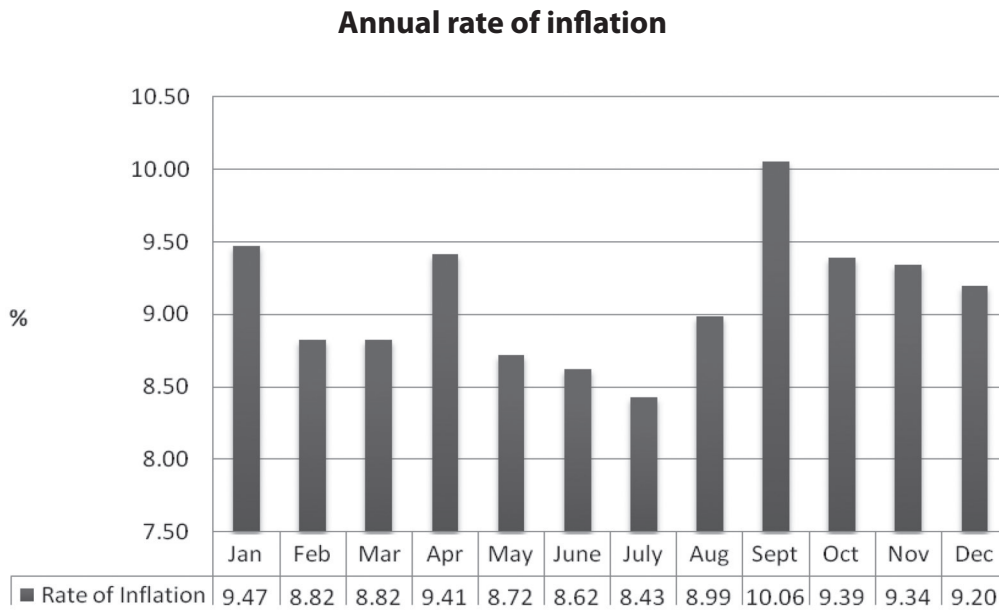
- (iii) The benefits to the economy of regional policy are greater than the disadvantages. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 2 = 30 marks)



3 Figure 3a shows the annual rate of inflation in India in 2011.



(Source: © <http://www.inflation.eu/inflation-rates/india/current-cpi-inflation-india.aspx>)

**Figure 3a**

(a) (i) What is meant by 'inflation'?

(2)

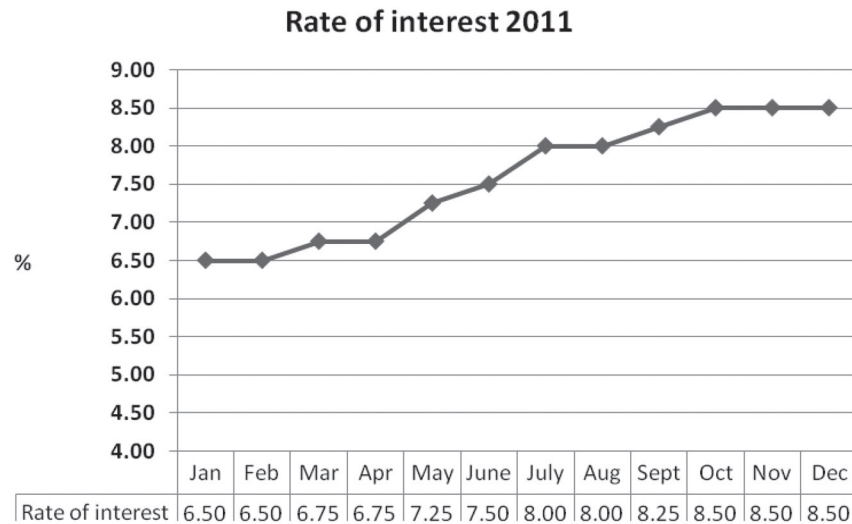
(ii) With reference to Figure 3a, explain what happened to prices in India between April 2011 and July 2011.

(3)

(6)

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(b) Figure 3b shows the Reserve Bank of India's rate of interest during 2011.



**Figure 3b**

(i) How many times did the rate of interest change during 2011?

(1)

(ii) Referring to the data in Figure 3a and Figure 3b, examine the impact of the changes in interest rates on inflation. Give reasons for your answer.

(5)

(c) Governments have five major macroeconomic objectives.

(i) Complete the following list of major macroeconomic objectives.

(2)

1 Low and stable inflation

2 Economic growth

3 Healthy balance of payments on current account

4 .....

5 .....



Table 3c shows the balance of payments on current account of two countries.  
Complete the table.

|                                        | Country A          | Country B |
|----------------------------------------|--------------------|-----------|
|                                        | \$bn               | \$bn      |
| Visible exports                        | 145                | 115       |
| Visible imports                        | 160                | 113       |
| Balance of (ii) .....<br>(1)           | -15                | 2         |
| Invisible exports                      | 54                 | 20        |
| Invisible imports                      | 41                 | 17        |
| Balance on invisibles                  | 13                 | 3         |
| Balance of payments on current account | (iii) .....<br>(1) | 5         |

**Table 3c**

(iv) In Table 3c, which country has a healthier balance of payments on current account?

(1)

- ☒ Country A
- ☒ Country B

(v) With reference to Table 3c explain your answer to c(iv).

(2)

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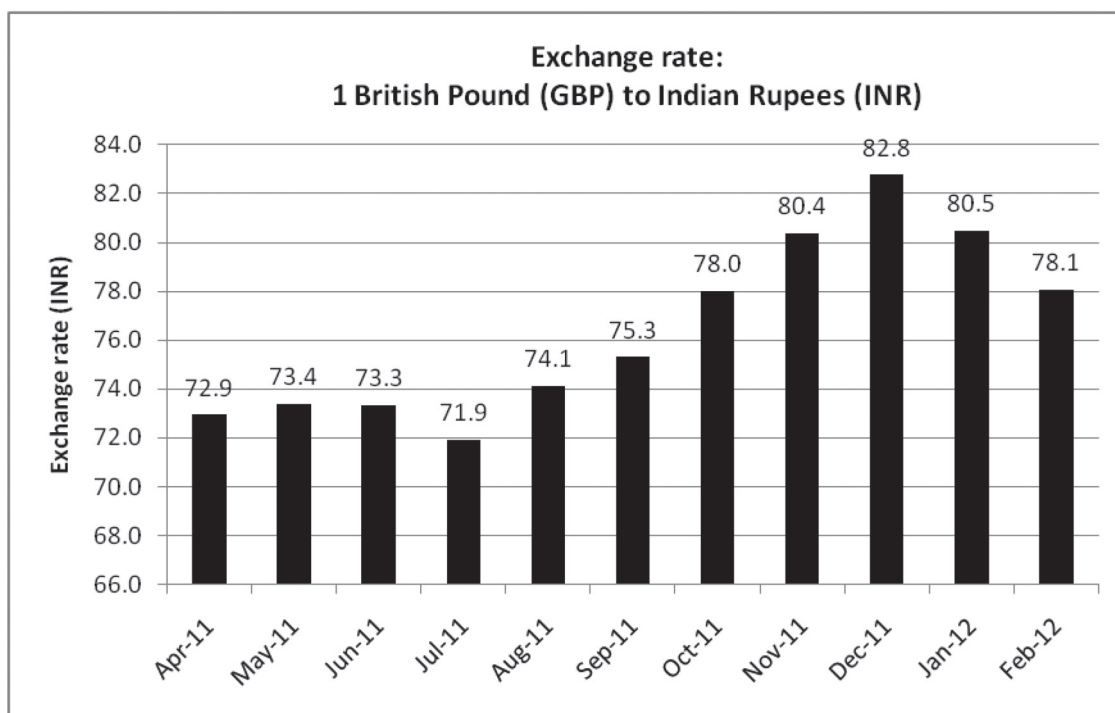
(vi) Explain how reducing inflation might improve a country's balance of payments.  
To what extent is this likely to succeed?

(6)

(Total for Question 3 = 30 marks)



- 4 Figure 4a shows the exchange rate of the British Pound (GBP) in terms of Indian Rupees (INR) between April 2011 and February 2012.



**Figure 4a**

- (a) (i) How many Indian rupees could be exchanged for £100 in December 2011?

(1)

- (ii) Between which two months did the exchange rate change by the smallest amount?

(1)

- (iii) Between July 2011 and December 2011 the value of the British Pound (GBP) in terms of Indian Rupees (INR)

(1)

- ☐ Appreciated
- ☐ Depreciated
- ☐ Stayed the same

(5)

|                          | International Debt \$bn | GDP \$bn | International Debt as % of GDP |
|--------------------------|-------------------------|----------|--------------------------------|
| China                    | 349.3                   | 10 090   | 3.5                            |
| Central African Republic | 1.15                    | 3.45     | 33.3                           |

(1)



(ii) With reference to the data in Table 4b briefly explain why international debt in the Central African Republic was a greater problem than in China in 2010.

(4)

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(iii) Which of the following does not loan money to countries?

(1)

- ☐ International Monetary Fund (IMF)
- ☐ World Trade Organisation (WTO)
- ☐ European Central Bank (ECB)



(iv) Do the advantages of international borrowing outweigh the disadvantages for a developing country? Give reasons for your answer.

(6)

[illegible]

(c) In 2012 Somalia applied to join the East African Community (EAC), a customs union of five East African countries.

(i) Briefly describe **two** main characteristics of a customs union.

(4)

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- (ii) There are no disadvantages of joining a customs union for a country, only advantages. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 4 = 30 marks)

**TOTAL FOR PAPER = 120 MARKS**



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