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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Monday 3 June 2019

Afternoon (Time: 1 hour 30 minutes) | Paper Reference **4EC1/02**

Economics

Level 1/2
Paper 2: Macroeconomics and the Global Economy

You do not need any other materials.

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.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

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.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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Answer ALL questions. Write your answers in the spaces provided.

Some 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 (a) The increased integration and interdependence of economies is known as

(1)

☐ **A** privatisation

☐ **B** specialisation

☐ **C** protectionism

☐ **D** globalisation

(b) What is the main cause of frictional unemployment?

(1)

☐ **A** People choosing not to work

☐ **B** People having the wrong skills

☐ **C** People changing jobs

☐ **D** People employed at certain times of the year

(c) What is meant by the term interest rate?

(2)

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(d) Describe **one** impact on consumers of a decrease in interest rates.

(2)

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Rachel buys a t-shirt for 1 000 Kenyan shillings (KES) when she is on holiday.
The exchange rate is £1 = 137.73 KES.

(e) Calculate, to two decimal places, the price in sterling (£) of Rachel's t-shirt. You are advised to show your working.

(2)

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(f) Using the diagram below, draw the effects of the introduction of a quota on the equilibrium price and quantity of a good.
Label the new curve, the new equilibrium price and new equilibrium quantity.
(3)

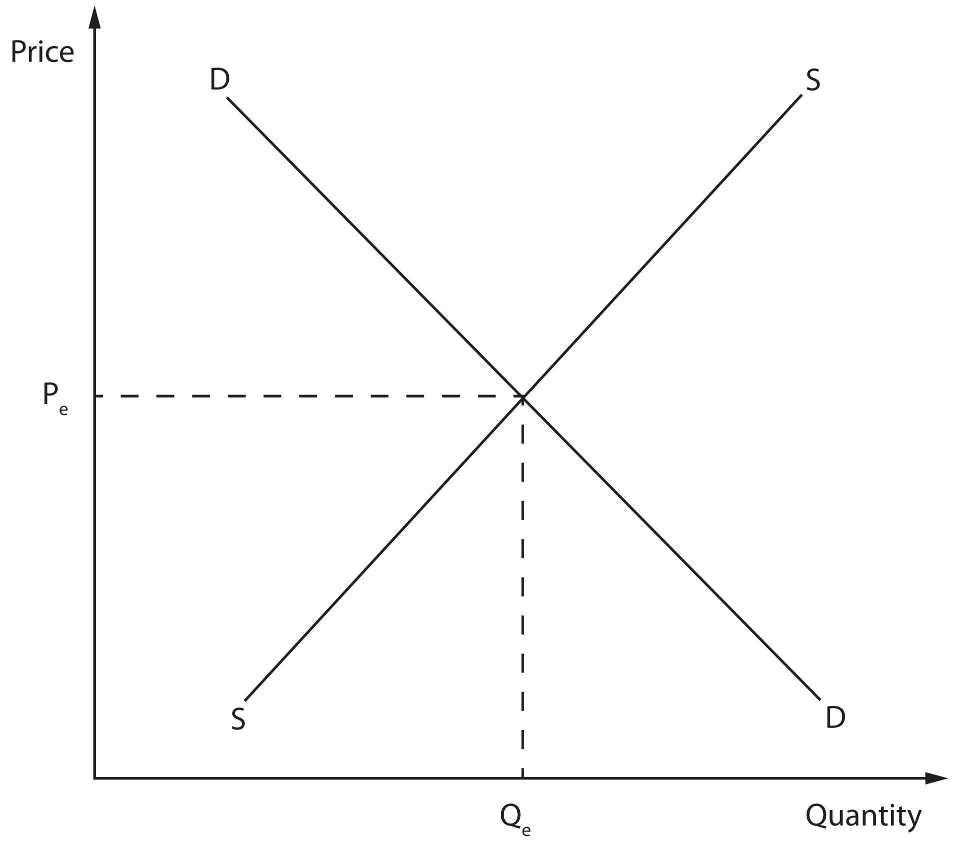

Figure 1

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In 2017 the US government wanted to introduce a 300% tariff on imported aircraft made by Canadian manufacturer Bombardier.

(g) Explain **one** way the World Trade Organisation could promote free trade between countries such as Canada and the US.

(3)

In January 2018, Australia had an unemployment rate of 5.5%.

(h) Analyse how the Australian government might reduce unemployment by using fiscal policy.

(6)

(Total for Question 1 = 20 marks)

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2 The price of a basket of goods and services used to calculate the Consumer Price Index (CPI) in an economy, rose from €1 250 to €1 300 in one year.

(a) What is the rate of inflation?

(1)

☒ **A** 0.96%

☒ **B** 1.04%

☒ **C** 4%

☒ **D** 5%

(b) What is the name of the term used to describe tax on income, wealth and profit?

(1)

☒ **A** Direct taxation

☒ **B** Value added tax

☒ **C** Excise duties

☒ **D** Indirect taxation

(c) State **one** way businesses can damage the environment.

(1)

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(d) What is meant by the term supply-side policy?

(2)

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In October 2017 the currency of the Philippines, the peso, fell to its lowest level against the US dollar in more than 11 years.

(e) Explain **one** advantage of having a depreciating currency for an economy such as the Philippines.

(3)

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According to the UN there are now over 63,000 multinational corporations (MNCs) and the number is growing daily. Many well-known MNCs, including PepsiCo, the Tata Group and Microsoft, are expanding in India.

(f) Explain **one** possible reason for the emergence of MNCs in a country such as India.

(3)

The Association of South East Asian Nations (ASEAN) is a trade bloc. It was set up in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Later it was joined by Brunei, Laos, Vietnam, Myanmar and Cambodia and became a 10 member trading bloc in 2016.

1967 ASEAN-5 Indonesia, Malaysia, the Philippines, Singapore and Thailand		**2016 ASEAN-10** Brunei, Laos, Vietnam, Myanmar, Cambodia, Indonesia, Malaysia, the Philippines, Singapore and Thailand
185 Million	**Population**	**634** Million
2 950 Thousand Km^2	**Land**	**4 326** Thousand Km^2
56 Years	**Life Expectancy**	**71** Years
$122 Current Prices (US)	**GDP/Capita**	**$4 021** Current Prices (US)
$9 707 Million (US)	**Trade**	**$2 218 534** Million (US)

Figure 2

(Source: adapted from https://www.fwd.news/50-years-major-regional-trading-bloc-looks-closer-cooperation/)

(g) With reference to the data above and your knowledge of economics, assess the benefits for a country, such as Thailand, of being a trade bloc member.

(9)

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3 (a) What is the name given to a country's exports and imports of physical goods?

(1)

- ☒ **A** Trade in goods
- ☒ **B** Income flows
- ☒ **C** Trade in services
- ☒ **D** Transfer payments

(b) What term refers to a firm or country selling an export below the cost of production?

(1)

- ☒ **A** Quotas
- ☒ **B** Dumping
- ☒ **C** Deregulation
- ☒ **D** Tariffs

(c) Explain **one** method of government intervention that could be used to protect the environment.

(3)

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(d) Analyse the possible impact of unemployment on an economy.

(6)

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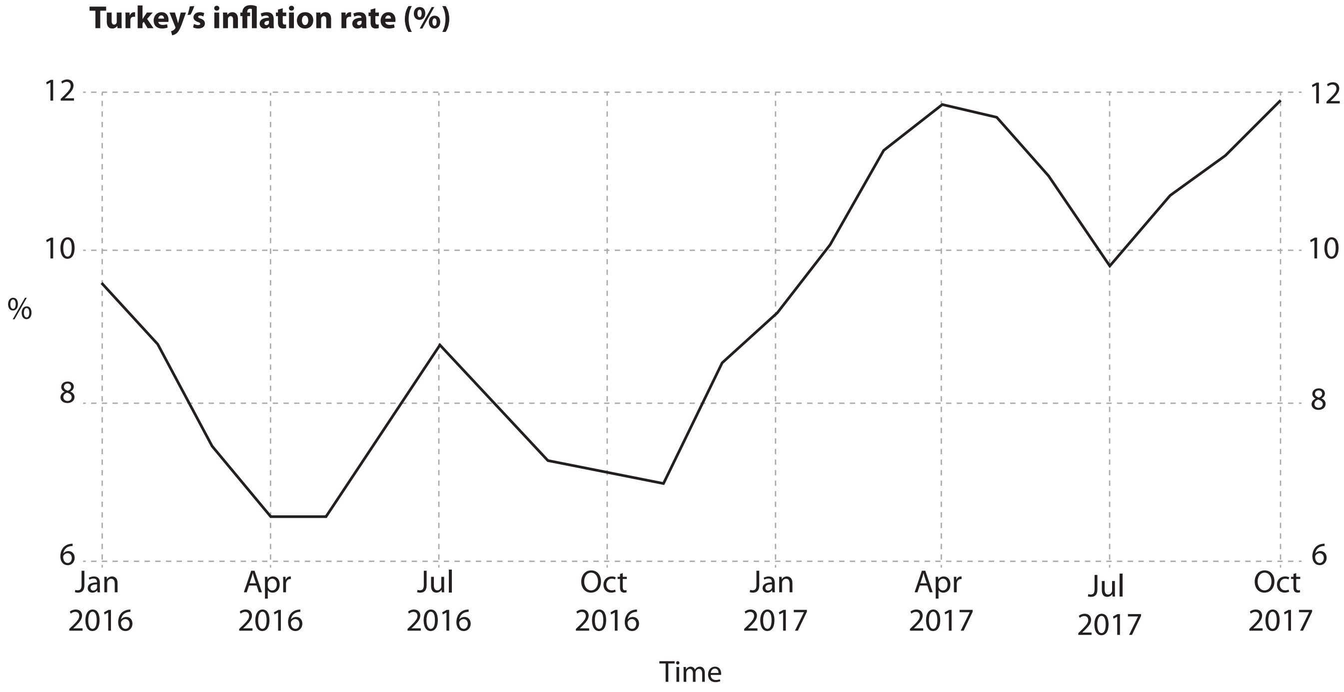

Figure 3

Inflation remains a major problem for Turkey's economy. Annual inflation in Turkey increased to 11.9% in October 2017. The highest price rises were for transportation, which rose by 16.79% and food, which increased by 12.74%.

(e) With reference to the data above and your knowledge of economics, assess the impact of inflation on a country such as Turkey.

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4 GDP per capita is a measure of a country's economic output that accounts for population. Figure 4 shows the population and gross domestic product (GDP) for Vietnam in 2016.

	2016
Population (million)	92.7
GDP (US$ million)	202 600

Figure 4

(Source: © 2018 The World Bank Group)

(a) Calculate, to two decimal places, the GDP per capita for Vietnam in 2016. You are advised to show your working.

(2)

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The unemployment rate fell in Vietnam between 2015 and 2016 but in the same period the inflation rate increased.

(b) Analyse how a fall in unemployment may have caused an increase in Vietnam's inflation rate.

(6)

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A report by the charity Oxfam, stated that Vietnam has 210 super-rich people. Their combined earnings for one year are enough to take 3.2 million people out of poverty and end absolute poverty in Vietnam. To reduce inequality and poverty, Oxfam is calling on international leaders to increase taxes to fund healthcare, education and job creation. Oxfam also asked business leaders to pay employees a living wage and pay their fair share of tax.

(c) With reference to the data above and your knowledge of economics, evaluate whether an increase in progressive taxes is the most effective way to reduce inequality and poverty for a country such as Vietnam.

(12)

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TOTAL FOR PAPER = 80 MARKS

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