

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Friday 12 January 2024

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 Which **one** of the following is an economic factor that might constrain the rate of economic growth of a country?

- A A high level of corruption
- B A reduced threat of terrorism
- C An increased access to credit
- D A lack of foreign currency

(Total for Question 1 = 1 mark)

2 In 2022 the Government of Brazil spent \$160 million on 762 infrastructure projects. This public expenditure is an example of which **one** of the following?

- A Expenditure on transfer payments
- B Current expenditure
- C Capital expenditure
- D Consumer expenditure

(Total for Question 2 = 1 mark)

3 Between 2021 and 2022 the European Union (EU) recorded an increase in the capital and financial account surplus of the balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in the EU's capital and financial account surplus?

- A An increase in inward foreign direct investment (FDI) and portfolio investment
- B An increase in the value of EU exports and a decrease in the value of EU imports
- C An increase in public sector borrowing and an increase in public sector debt
- D An increase in inflows into the primary income component of the EU's balance of payments

(Total for Question 3 = 1 mark)

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- 4 Globalisation has been associated with an increase in real GDP per capita in many countries. However, some economists consider that there are costs associated with globalisation.

Ceteris paribus, which **one** of the following is a possible cost of globalisation on the global economy?

- A Lower prices and higher consumer surplus
- B Lower rates of unemployment
- C Higher long-run average costs for transnational companies
- D Higher external costs arising from increased trade

(Total for Question 4 = 1 mark)

- 5 In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar. Japan'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 Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

	Japanese yen	US dollar
<input type="checkbox"/> A	Buy	Buy
<input type="checkbox"/> B	Buy	Sell
<input type="checkbox"/> C	Sell	Buy
<input type="checkbox"/> D	Sell	Sell

(Total for Question 5 = 1 mark)



- 6 The table shows Bosnia and Herzegovina's index of export prices and index of import prices between 2018 and 2020, (2000=100).

Year	Index of export prices	Index of import prices
2018	379.7	219.1
2019	354.4	214.2
2020	331.8	191.9

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

- A Between 2000 and 2018 Bosnia and Herzegovina's terms of trade worsened by 73.3%
- B Between 2000 and 2020 Bosnia and Herzegovina's terms of trade improved by 72.9%
- C Bosnia and Herzegovina had to export the same amount of goods and services to purchase a given quantity of imports each year
- D Bosnia and Herzegovina's index of import prices exceeded its index of export prices each year

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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SECTION B

**Study Figures 1 and 2 and Extract A 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 and Figure 2, calculate the value of Greece's national debt in 2022. You are advised to show your workings. (2)
- (b) Explain what is meant by 'deflationary fiscal policies' (Extract A, line 10). (4)
- (c) With reference to the third paragraph of Extract A, examine **two** measures that the Government of Greece could take to increase the country's international competitiveness. (8)
- (d) With reference to Extract A, analyse **two** roles of the European Central Bank (ECB). (6)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic benefits of a decrease in national debt, as a proportion of GDP, on the economy of Greece. (14)

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(c) With reference to the third paragraph of Extract A, examine **two** measures that the Government of Greece could take to increase the country's international competitiveness.

(8)

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(d) With reference to Extract A, analyse **two** roles of the European Central Bank (ECB).

(6)

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(e) With reference to the information provided and your own knowledge, discuss the likely economic benefits of a decrease in national debt, as a proportion of GDP, on the economy of Greece.

(14)

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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.

Write your answer to your FIRST chosen question on page 17.

Write your answer to your SECOND chosen question on page 22.

- 8 Between 2007 and 2022 income inequality increased in both Sweden and the USA.

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

(Total for Question 8 = 20 marks)

- 9 According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased.

Evaluate factors influencing patterns of trade between countries.

(Total for Question 9 = 20 marks)

- 10 In South Sudan HDI was 0.43 in 2010 and 0.39 in 2022.

Evaluate market-orientated strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)

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TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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Sources for use with Section B

The economy of Greece

Figure 1 Real GDP, \$ billion, 2008–2022

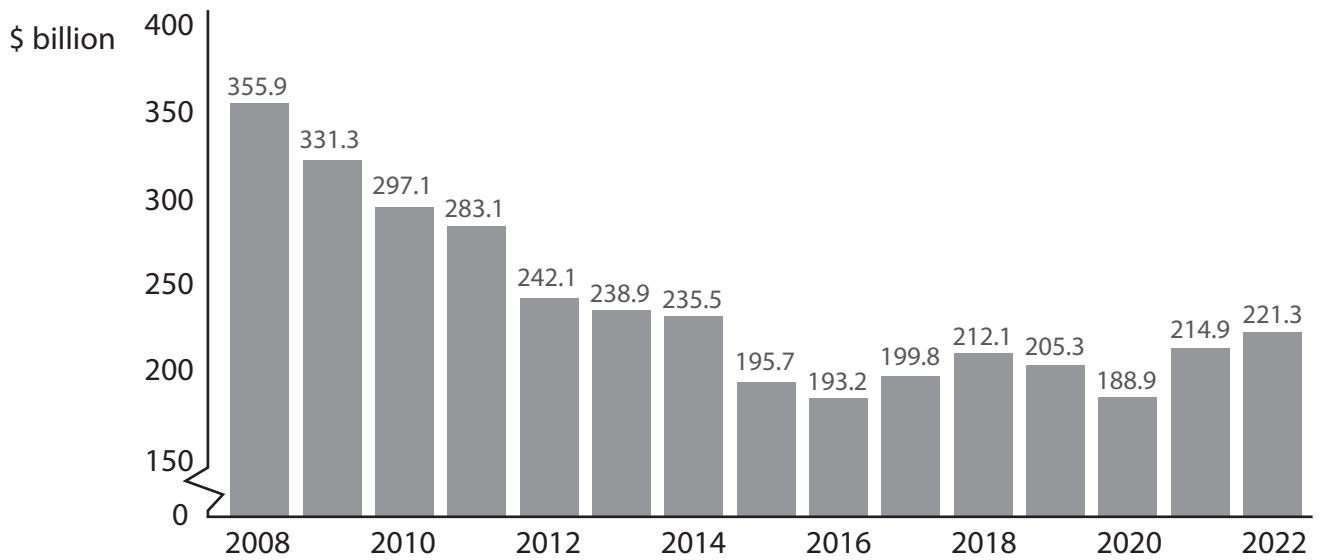
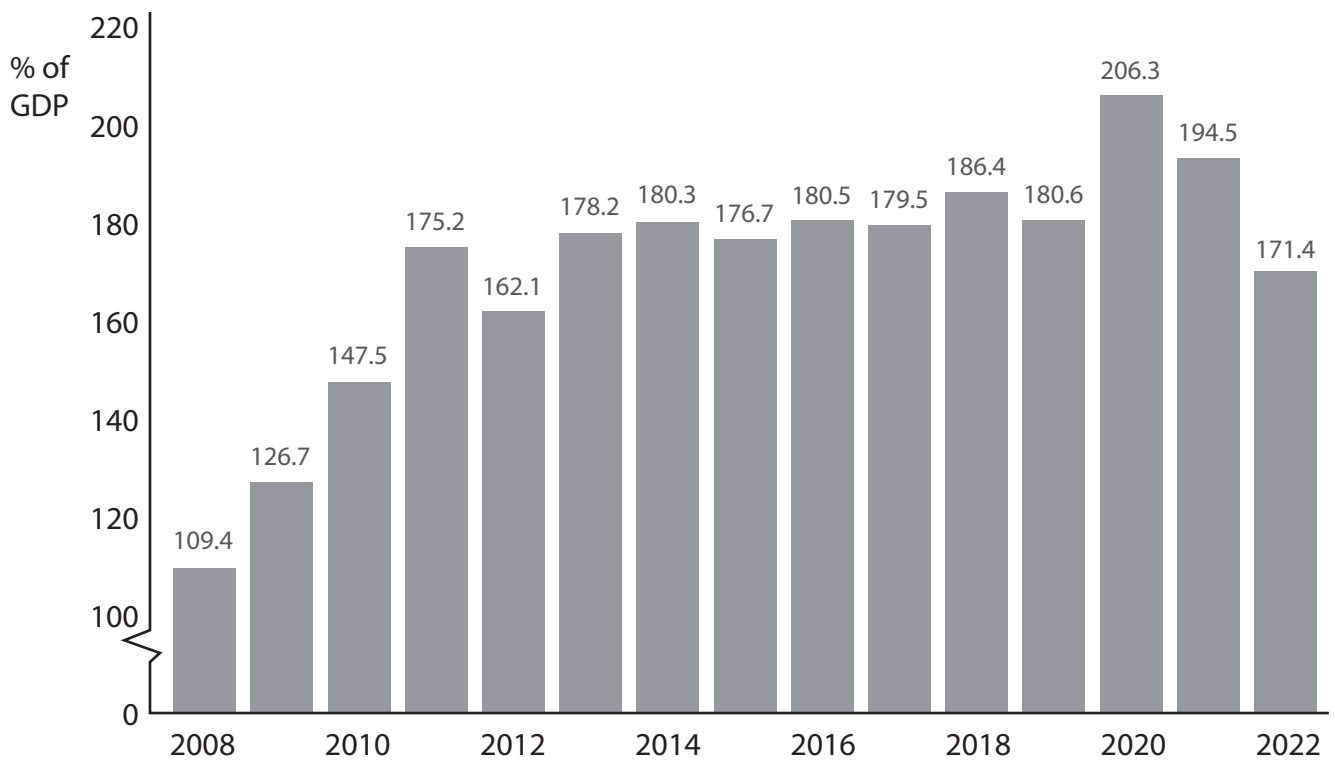


Figure 2 National debt, % of GDP, 2008–2022



Extract A Economic outlook

Following the global financial crisis of 2008, Greece experienced a debt crisis. In 2010 the country's credit rating (an estimate of the ability of a country to repay its debts) was reduced. Greece's credit rating fell from 'A' to 'CCC'. This indicated that Greece went from having a strong ability to make repayments of its national debt to a situation in which it was unable to service its debt. 5

Between 2008 and 2010 Greece's national debt increased from 109.4% of GDP to 147.5% of GDP. Consequently, the Government had to borrow \$146 billion from the International Monetary Fund (IMF) and the European Union. As a condition of these loans, the Government of Greece was required to implement deflationary fiscal policies to reduce its national debt. It was also forced by the IMF to reduce pensions to the elderly in return for financial support. As a result of these measures, between 2010 and 2020, the country's rate of economic growth fell by 25% and the disposable incomes of Greek citizens decreased by almost 30%. The resulting increase in unemployment led to many young citizens leaving the country in search of work. 10 15

After the global health crisis of 2020 Greece was able to reduce its national debt as a proportion of GDP. In 2022 real GDP increased by nearly 3% and its debt-to-GDP ratio fell. This helped to improve the country's credit rating to 'B+'. This improvement in the economy led the European Central Bank (ECB) to advise the Government of Greece to make capital investments in infrastructure, human capital and healthcare. This was because Greece's international competitiveness was significantly lower compared to the other members of the eurozone. Its competitiveness rank was 47th when compared with 63 other countries with similar economic prospects. 20

Greece continues to face significant challenges. These include:

- its debt-to-GDP ratio is falling but it still remains the highest in the eurozone area 25
- its forecast rate of economic growth for 2023 was reduced
- its rate of inflation, excluding changes in food and energy costs, was 5.6%. This was the highest rate of inflation in the eurozone
- the ECB raised the base rate of interest from 2.5% to 3% in March 2023 because of the high rate of inflation in the eurozone area. 30

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Acknowledgements

Figure 1 adapted from trading economics, <https://tradingeconomics.com/greece/gdp>

Figure 2 adapted from trading economics, <https://tradingeconomics.com/greece/government-debt-to-gdp>

Extract A adapted from FT, <https://www.ft.com/content/1a568ff6-41ef-4dfe-8bcf-2137eeeb405b>; IMD, <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/>; tradingeconomics,

<https://tradingeconomics.com/greece/rating>; FT,

<https://www.ft.com/content/b41ba724-4a20-407c-8bc2-e57351e65472>

