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Mark Scheme (Results)

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Pearson Edexcel IAL
In Economics (WEC04)
Paper 01 Developments in the Global
Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

****SECTION A: ESSAYS – PLEASE USE DETAILED MARKING CRITERIA WHICH ARE TO BE FOUND AT THE END OF THIS MARKSCHEME****

FOR ALL QUESTIONS: No mark schemes can cover all possible responses. Therefore reward analysis which is relevant to the question, even if this is not identified in the mark scheme

Question Number	Indicative content	Mark
1 (a)	<p>Understanding of terms of trade</p> <p>Possible factors that could cause a change, e.g. an improvement:</p> <ul style="list-style-type: none"> • Appreciation / revaluation of the exchange rate • High relative inflation rates • Lower relative productivity rates • Higher relative labour costs (both wage and non-wage costs) • Lower relative levels of capital investment • Change in the price of commodities, e.g. oil (a rise in the price of commodities for net exporters, and fall in price of commodities for net importers) • The rapid growth of the BRIC economies has led to a favourable movement in their terms of trade over the past 10 years due to increased demand • Falling competition in the markets of a country's main exports / rising competition in the markets of a country's main imports • Protectionist policies, e.g. tariffs and quotas • Globalisation, e.g. UK tended to have less impact on the export price of its services, in comparison to its effect on the price of its imports of goods <p>All these factors can be reversed for a worsening.</p> <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of factors</i> • <i>Different factors will be important in different economies, e.g. the price of oil will be highly important in Angola, but not in other countries</i> • <i>Different factors will be more important at different times</i> • <i>Countries that specialise in primary products shall face a worsening terms of trade</i> • <i>Importance of labour costs depend on whether country tends to import and export more labour-intensive or capital-intensive goods and services</i> 	(15)

Question Number	Indicative content	Mark
1 (b)	<p>Understanding of a fall in a country's terms of trade / Understanding of macroeconomic objective</p> <ul style="list-style-type: none"> • Price of exports falls relative to price of imports. This would improve the economy's trade balance, meeting the objective of a current account B/P equilibrium <p><i>But: it depends on the PED for a country's imports and exports; current account on B/P has two other components, which may move in the opposite direction</i></p> <ul style="list-style-type: none"> • Improving trade balance may increase aggregate demand in the country, leading to higher economic growth, and/or falling unemployment, particularly in export industries. <p><i>But: relatively expensive imports may lead to fall in (SR)AS, offsetting the positive effects on economic growth; changes in the other components of AD may compensate for this, and unemployment does not fall</i></p> <ul style="list-style-type: none"> • Inflation in the economy is likely to rise, as both demand pull and cost push (imported raw material) inflationary pressures increase <p><i>But: depends on the level of spare capacity in the economy, the size of the multiplier effect, and all other things being equal</i></p> <ul style="list-style-type: none"> • If there is falling unemployment, this is likely to have a positive effect on the government budget balance, as the transfer payments falls (automatic stabilisers) and tax revenue rises <p><i>But: cyclical budget deficit may be more damaging to an economy than a structural budget deficit; it's dependent on how long the terms of trade fall for, and how big the fall is</i></p> <ul style="list-style-type: none"> • Higher rates of economic growth may have negative effect on the environment, as non-renewable resources are used more: larger negative production externalities <p><i>But: for most developed countries, growth has a positive effect on environment, as improved green technology is developed, and energy intensity falls</i></p>	

	<ul style="list-style-type: none">• Higher rates of economic growth might have a large negative effect on income inequality in the economy as high returns accrue to the owners of the factors of production <p><i>Other evaluative comments could include:</i></p> <ul style="list-style-type: none">• <i>Prioritisation of factors</i>• <i>Different factors more or less important for different countries</i>• <i>Different countries may have/prioritise different macroeconomic objectives</i>	(25)
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Question Number	Indicative content	Mark
2 (a)	<p>Understanding/definition of a common external tariff and/or customs union</p> <p>Candidates may draw a tariff diagram to show the likely effects, and/or may use AS/AD analysis</p> <p>Reasons for restrictions could include:</p> <ul style="list-style-type: none"> • To protect employment in agriculture industry • To help to maintain a diversified agricultural base in the EU: reduce the risks by protecting it against exogenous shocks • To protect essential or strategic industries • To manage the decline of senile/sunset industries • To protect infant/sunrise industries: perhaps EU firms need time to grow to gain economies of scale to be able to compete effectively • To improve the balance of payments position • To prevent dumping by other countries • Ethical or political grounds • In retaliation • To raise tariff/tax revenue <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of different reasons</i> • <i>Significance of the size of the tariffs – 18% is quite large and is over four times more than what the EU charges on other goods</i> • <i>Tariff revenue is a very small proportion of total government revenue in developed economies; this is likely to be an important reason in developing economies</i> • <i>The agricultural sector is relatively large as 40% of EU budget is spent on CAP, so any effects on employment, trade balance, diversification and economic growth are likely to be relatively quite significant</i> • <i>Consideration of the extent to which agriculture is part of an essential/strategic industry for the EU (given its other sectors, perhaps)</i> • <i>Agricultural sector is not a new industry, so far more likely to be a senile/sunset industry than an infant/sunrise industry</i> • <i>Credit for reasons against a protectionist policy</i> <p>NB Candidates do not need to refer to the EU tariff on the agricultural sector in particular in their answer</p>	(15)

Question Number	Indicative content	Mark
2 (b)	<ul style="list-style-type: none"> • Economic growth: If trade barriers are raised against UK goods then less specialisation and trade could a fall in the UK's growth rate. <i>But: UK would have incentive to diversify exports away from EU countries to growing economies in Asia, South America and Africa</i> • Foreign direct investment into UK may fall due to no free access to EU market. Could also be decline in domestic investment due to uncertainty. <i>But: impact on UK may small if there are other benefits of operating in the UK e.g. relatively low corporation tax rates, availability of skilled labour</i> • Current account of UK's balance of payments: improvement for UK likely since it has trade deficit with EU countries. <i>But: deterioration in the trade in goods balance if demand for UK imports is inelastic while demand for UK exports is elastic.</i> • Unemployment may increase in UK if there is fall in FDI into UK and/or firms based in the UK decide to divert investment abroad <i>But: the impact might be small especially if there is less direct competition from producers in the EU / depends on how successful UK manufacturers are in developing new markets</i> • UK's public finances could improve because UK is a net contributor to the EU budget <i>But: this may be offset by the adverse impact on growth and employment; the UK would still have to contribute to the EU budget to retain access to the single market</i> • Pattern of trade – the possibility that a smaller proportion of UK's trade will be with EU and more with countries outside EU / emerging economies <i>But: EU may wish to maintain favourable trading relationships with the UK (the EU has a net trade surplus with the UK)</i> 	

	<ul style="list-style-type: none"> • Changes to patterns of migration: less strain on public services as immigration into the UK would fall and possibility of high wages for UK workers <p><i>But: EU immigrants usually pay more in taxes than they take out; less available workforce</i></p> <ul style="list-style-type: none"> • Less regulation outside the EU allowing the UK to negotiate its own trade deals with other countries <p><i>But: The UK would still have to apply EU rules to retain access to the single market</i></p> <ul style="list-style-type: none"> • Inflation: some goods may become significantly cheaper e.g. food while others could become more expensive because they can no longer be imported freely from EU countries <p><i>But: food prices may be more unstable and food supplies may be less secure</i></p> <ul style="list-style-type: none"> • Impact on specific sectors e.g. UK pays more for the CAP than it gets back so leaving the EU would make more money available for UK farmers <p><i>But: Many British farmers would go out of business without the support of the CAP as majority of UK farming exports go to the EU</i></p> <ul style="list-style-type: none"> • Increases in labour market flexibility as UK does not have to conform to Social Charter and EU rules and regulations, improving competitiveness • No longer need to be part of EU Competition Policy with associated costs/benefits • Downgrading of UK credit rating: lending money to the UK government now carries more risk • Depreciation of UK pound due to uncertainty <p><i>But: impact may be limited as other factors also influence exchange rates, e.g. inflation rates, QE</i></p> <p>NB Award a maximum of 20 marks (Level 4) if a candidate does not refer to the UK or EU</p>	<p>(25)</p>
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Question Number	Indicative content	Mark
3 (a)	<p>Understanding of aid / economic development</p> <p><i>Case for aid:</i></p> <ul style="list-style-type: none"> • Reduction in absolute poverty – help reduce child and maternal mortality • Reduction of inequality and relative poverty • Increase the level of human capital – through resources provided for education, healthcare that would increase productivity and FDI • To fill in the savings gap – can be used to invest in capital, which would not be possible due to low levels of savings to finance investment • To fill in the foreign exchange gap – may be used to import vital capital equipment • To provide funds for investment in infrastructure – essential for industrialisation as it is an injection into the circular flow • To promote entrepreneurship – help establish new businesses and lead to higher development • Possible contribution to globalisation and trade <p><i>Case against aid:</i></p> <ul style="list-style-type: none"> • Dependency theory – reinforces dominance of developed countries over developing countries • Dependency culture – countries can become dependent and will not pursue macroeconomic policies to become independent • Corruption – might not reach those for whom it's intended / may be diverted to government officials • May be political influence from donor countries • Inefficient allocation of resources – aid distorts market forces leading to misallocation of resources • Danger of tied aid / aid fatigue / wrong type of aid – might stifle development • IMF and World Bank conditions attached to aid – might include cuts in food subsidies to reduce the government spending, removal of import controls which could harm the countries development • Proportion of aid given to developing countries has been relatively small as to the rich countries • Aid in the form of concessionary loans involves interest repayments and hence carry opportunity cost: less spending on education/health services <p>NB Award a maximum of 12 marks (Level 4) if a candidate does not refer to a developing country or countries.</p>	(15)

Question Number	Indicative content	Mark
3 (b)	<ul style="list-style-type: none"> • Population growth at a higher rate than GDP will cause per capita incomes fall • Higher dependency ratio will limit the ability of households to save, increasing the savings gap • High population growth puts large strain on education, healthcare and infrastructure; would lead to an increase in levels of government spending (e.g. publically funded health/education) • Effects on environment: pollution/congestion • Increased pressure on public services, e.g. public transport/housing • Increase supply of labour leading to fall in wages <p><i>But:</i></p> <ul style="list-style-type: none"> • <i>More people are available to produce goods and services, so output may rise faster than population, therefore increasing per capita incomes</i> • <i>A larger working population willing to work for low wages may attract FDI</i> • <i>Population growth may increase technical progress; increasing AS/rightward shift in PPF</i> • <i>Increase in tax revenues for the government</i> <p>Other constraints include:</p> <ul style="list-style-type: none"> • Savings gaps – low savings, low investment, limited capital accumulation, low growth/income; can be caused by factors such as lower incomes, debt repayments, capital flight, absence of FDI <p><i>But: savings gaps may be filled by aid, FDI, debt cancellation, microfinance, borrowing from IMF / World Bank</i></p> <ul style="list-style-type: none"> • Primary product dependency <p><i>But: it could be the most significant constraint on growth in light of recent falls in commodity prices / some countries have grown on the basis of their primary products</i></p> <ul style="list-style-type: none"> • Inadequate provision of credit and banking <p><i>But: microfinance schemes have been made available to help low income families</i></p> <ul style="list-style-type: none"> • Weak human capital <p><i>But: developed economies demand workers with low human capital for unskilled work</i></p>	

	<ul style="list-style-type: none"> • Corruption; civil wars; poor governance <p><i>But: corruption can be solved through cultural/ attitude change; civil wars could be only a short term issue</i></p> <ul style="list-style-type: none"> • Debt <p><i>But: if borrowing is spent on capital goods it could lead to long term economic growth; easy to pay off the debt if interest rates are low</i></p> <ul style="list-style-type: none"> • Absence of property rights <p><i>But: governments can grant and extend property rights over scarce resources in attempt to protect them from misuse and over-use</i></p> <ul style="list-style-type: none"> • Poor infrastructure <p><i>But: less of a constraint for resource-rich African LDCs who are benefiting from foreign investment in return for commodities</i></p> <ul style="list-style-type: none"> • Foreign currency gap and capital flight <p>Other evaluative comments could include:</p> <ul style="list-style-type: none"> • Prioritisation of factors • Different factors more or less important for different countries • Discussion of significance of other constraints identified above • Economic growth is usually constrained by a combination of factors; difficult to conclude that one is more important than another <p>NB: Candidates might agree or disagree with rapid population growth as most significant constraint, but should use the counter points as evaluation.</p> <p>NB: Award maximum of 20 marks (Level 4) if the candidates do not refer to any developing countries in their response</p>	
		(25)

Section A Part (a) Questions: Performance Criteria for Mark base 15		
Level 0	0	<ul style="list-style-type: none"> No rewardable material
Level 1	1-3	<ul style="list-style-type: none"> Displays knowledge presented as facts without awareness of other viewpoints Demonstrates limited understanding with little or no analysis Attempts at selecting and applying different economic ideas are unsuccessful Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	4-6	<ul style="list-style-type: none"> Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion Displays a limited ability to select and apply different economic ideas Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	7-9	<ul style="list-style-type: none"> Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark Shows some ability to apply economic ideas and relate them to economic problems Employs different approaches to reach conclusions Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
Level 4	10-12	<ul style="list-style-type: none"> Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved Demonstrates an ability to select and apply economic ideas and to relate them to economic problems Evidence of some evaluation of alternative approaches leading to conclusions Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	13-15	<ul style="list-style-type: none"> Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues Demonstrates an outstanding ability to select and apply economic ideas to economic problems Evaluation is well balanced and critical leading to valid conclusions Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Section A Part (b) Questions: Performance Criteria for Mark base 25		
Level 0	0	<ul style="list-style-type: none"> No rewardable material
Level 1	1-5	<ul style="list-style-type: none"> Displays knowledge presented as facts without awareness of other viewpoints Demonstrates limited understanding with little or no analysis Attempts at selecting and applying different economic ideas are unsuccessful Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	6-10	<ul style="list-style-type: none"> Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion Displays a limited ability to select and apply different economic ideas Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	11-15	<ul style="list-style-type: none"> Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark Shows some ability to apply economic ideas and relate them to economic problems Employs different approaches to reach conclusions Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
Level 4	16-20	<ul style="list-style-type: none"> Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved Demonstrates an ability to select and apply economic ideas and to relate them to economic problems Evidence of some evaluation of alternative approaches leading to conclusions Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	21-25	<ul style="list-style-type: none"> Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues Demonstrates an outstanding ability to select and apply economic ideas to economic problems Evaluation is well balanced and critical leading to valid conclusions Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Question Number	Answer	Mark
4(a)	<p>Knowledge: Actions of the central bank in buying government bonds from commercial banks and other financial institutions (2)</p> <p>Increases bank deposits / allowing banks to lend more easily (1)</p> <p>Application (1+1 marks):</p> <ul style="list-style-type: none"> • The Riksbank continued to carry out asset purchases (quantitative easing) in an effort to influence the krona and increase the rate of inflation (1) / • In June 2016, central banks' asset purchase programme amounted to around 200 billion kronas (1) <p>2 marks for knowledge; 2 marks for application/ data references</p>	(4)
Level	Marks	Descriptor
1	1-2	Up to 2 marks for knowledge or up to 2 marks for application.
2	3-4	Up to 2 marks for knowledge and/or up to 2 marks for application.

Question Number		Mark
4 (b)		(16)
Knowledge, application and analysis – indicative content		
	<p>Value of the krona is likely to fall as a result of QE.</p> <p>Possible effects include:</p> <ul style="list-style-type: none"> • Improvement in current account of B/P because exports would become more competitive, imports less competitive, improving price competitiveness <p><i>But: depends on the PED for imports and exports; it will not improve non-price competitiveness</i></p>	

		<ul style="list-style-type: none"> • Increase in net exports and hence, aggregate demand and economic growth leading to higher living standards – “Sweden reported a rise in GDP of 1.3% in the fourth quarter of 2015” / Figure 1 shows growth increased by 1.5% points in 2015 <p><i>But: other components may offset increase in AD e.g. fall in investment / consumption; depends on size of multiplier effect, spare capacity</i></p> <ul style="list-style-type: none"> • Inflation: depreciation may cause a rise in cost of imported raw materials and finished goods leading to cost push inflation / lead to demand pull inflation – “In June 2016, Sweden observed a gradual rise in inflation to approximately 1%, from –0.4% in June 2015” <p><i>But: will not be the case if firms cut profit margins or if productivity rises; depends on the extent to which the higher costs are passed on to consumers</i></p> <ul style="list-style-type: none"> • Reduction in unemployment: derived demand – Figure 1 shows unemployment rate falling from 8% in 2014 to 7% in 2015 <p><i>But: unemployment rate may increase in the long run if more immigrants continue to enter Sweden and the government cannot “incorporate asylum seekers into the jobs market”</i></p> <ul style="list-style-type: none"> • Increase in debt burden for government and for banks with external debts <p><i>But: inflation would erode the real value of debt</i></p> <ul style="list-style-type: none"> • More inward FDI and less outward FDI improving the financial account position <p><i>But: other factors affect FDI decisions e.g. tax, confidence; repatriation of profits, interest and dividends (outflows from the current account)</i></p> <ul style="list-style-type: none"> • Policy implication: increase in interest rates to prevent further fall in the krona <p><i>But: this would hinder economic growth and lead to rising unemployment</i></p>
Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the economic effects of a fall in the value of the krona with limited explanation.

		Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is unclear.
2	4-6	Understanding and explanation of the economic effects of a fall in the value of the krona. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the economic effects of a fall in the value of the krona with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content

- See above
- S/R vs L/R considerations – “the ECB likely to loosen monetary policy further, there is doubt that any fall in the krona will be sustained”
- The effect on AD depends on how significant net trade (X-M) is as a component of AD in Sweden
- Negative interest rates may have a more significant impact on the value of the krona than QE.

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation / one evaluative comment with explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

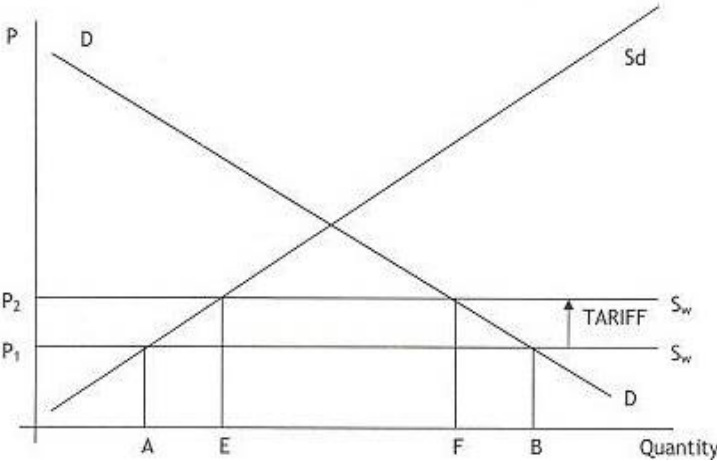
Question Number	Answer	Mark
4 (c)	<p>Knowledge and analysis of 2 reasons (up to 6 – 2 reasons x 3 marks each):</p> <p>Identification of problem (1) + development (up to 2):</p> <p>Possible problems include:</p> <ul style="list-style-type: none"> • Risks and uncertainties – the effects of policies may be difficult to predict either due to a lack of information (e.g. quantitative easing is relatively new policy) or uncertainty as to consumers'/firms' reactions • Inaccurate information – issues with sampling, time delays/time lags, inadequacy of information gathering systems and processes, shadow/black economy/informal sector/undeclared information • Inability to control an external shock – external shocks (e.g. changes in exchange rates, prices of commodities, economic conditions in economies of trade partners) may occur while policies are being implemented or having their full impact, changing economic conditions • Conflicts between macroeconomic objectives – cannot achieve multiple objectives at one time • Conflicts between macroeconomic policies • Influence of powerful firms and TNCs <p>One application from Extract 1: For e.g.</p> <p>“increasing concerns of the policy makers that its negative rates policy could be greatly misguided” (2) /</p> <p>“What I am concerned about is the usefulness of negative interest rates.” (2)</p>	(8)

Question Number		Mark
4 (d)		(12)
Knowledge, application and analysis – indicative content		
	<p>Understanding of objectives of Sweden's monetary policy: "maintain an inflation target of 2%, support achieving sustainable growth and high employment" / Understanding of expansionary monetary policy</p> <p>Monetary policy has been successful:</p> <ul style="list-style-type: none"> • Inflation approaching the 2% target: not out of control and lowering the threat of deflation – "In June 2016, Sweden observed a gradual rise in inflation to approx 1%, from -0.4% in June 2015" • Helped increase economic growth – "Sweden's economy grew at a faster-than-expected rate at the end of 2015" / "well ahead of Germany and the UK in terms of the strength of its economic recovery" / Figure 1 shows Sweden grew at 3.9% in 2015 • Unemployment rate has fallen – Figure 1 shows Sweden's unemployment rate has fallen from 8% in 2015 to 7% in 2016 <p>Candidates may take why monetary policy has been successful as analysis and why it has not been successful as evaluation (and vice versa)</p> <p>Level 3 responses must include all 3 objectives</p>	
Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of whether monetary policy has been successful in meeting its objectives with limited development. Material presented is irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of whether monetary policy has been successful in meeting its objectives. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of whether monetary policy has been successful in meeting its objectives with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	<p>Monetary policy has not been successful:</p> <ul style="list-style-type: none"> • Inflation at 1% still below the target of 2% / Figure 2 shows inflation has been below target since 2012 with several bouts of deflation • It is reported that the main contributor to growth is the “record number of asylum seekers, which led to rise in consumption and government spending” • Objective is sustainable growth but “Sweden’s economy grew at a faster-than-expected rate at the end of 2015” and “almost double economists’ original forecast” • Unemployment rate could rise again due to the entry of 160,000 immigrants in 2015 / Sweden is only “slowly addressing the issue of incorporating asylum seekers into the jobs market” 	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation/ one evaluative comment with explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number	Answer		Mark
5 (a)	<p>Knowledge: The promotion of free trade through organisation of negotiations to reduce trade barriers (1) / enforcing trade rules (1) / settling trade disputes (1)</p> <p>Application (1+1 marks): For e.g.</p> <ul style="list-style-type: none"> • According to the WTO, growth in the volume of world trade was slow at 2.8% in 2016 (1) / • WTO members should expand coverage of Information Technology Agreement (1) <p>2 marks for knowledge; 2 marks for application/ data references</p>		(4)
Level	Marks	Descriptor	
1	1-2	Up to 2 marks for knowledge or up to 2 marks for application.	
2	3-4	Up to 2marks for knowledge and/or up to 2 marks for application.	

Question Number	Answer	Mark
5 (b)	<p>Knowledge and analysis of 2 reasons (up to 6 – 2 reasons x 3 marks each):</p> <p>Identification of impact (1) + development (up to 2):</p> <ul style="list-style-type: none"> • Non-tariff barriers: e.g. bureaucracy and time-consuming customs procedures - these increase the cost of imported goods, reducing their price competitiveness on the domestic market • Subsidies to domestic producers: e.g. agricultural production subsidies - these reduce the production costs of domestic firms, allowing them to lower the prices below those of imported goods • Quotas: set a limit on the number of goods that can be imported, this raises the price of imported goods (as their supply falls), and creates higher demand for domestically produced goods • Tariffs (taxes on imports): these raise the price of imported goods, reducing price competitiveness on the domestic market. These raise government revenues and create a deadweight (welfare) loss. Answers may make use of a tariff diagram:  <p>One application from Extract 1: For e.g.</p> <p>“There also remains the threat of protectionism as governments continue to apply trade restrictions” (2) /</p> <p>“the number of barriers continues to grow” (2)</p>	(8)

Question Number		Mark
5 (c)		(12)
Knowledge, application and analysis – indicative content		
	<p>“Growth in the volume of world trade was slow at 2.8%” / “This will be the fifth consecutive year of trade growth below 3%”</p> <ul style="list-style-type: none"> • “Lower commodity prices” reduced real incomes of commodity producers and led to a contraction in their imports from all regions, including China: use of Figure 2 • “Slowing economic growth in China” / “China’s lower growth rate” has reduced both imports and exports: use of Figure 1 • “Strong fluctuations in exchange rates” causes uncertainty / discourages firms from undertaking trade / may deter firms from entering into export markets / impose adjustment costs on economies as resources keep shifting between the tradable and non-tradable sectors • “Weak demand for imports in the emerging economies” cuts export growth of countries that depend on foreign demand for oil, metals, and minerals: use of Figures 1 and 2 • “Instability in financial markets” since the global financial crisis, there still remains low business and consumer confidence – may also have contributed to reduced global demand for durable goods • “Different monetary policies across the leading developed economies” – impact on importers and exporters / consumption, investment and trade 	
Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the reasons why there has been slow trade growth with limited explanation. Material presented is irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of the reasons why there has been slow trade growth. Material is often presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

3	7-8	Clear understanding and explanation of the reasons why there has been slow trade growth with limited explanation with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.
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Evaluation – indicative content		
	<ul style="list-style-type: none"> • Prioritisation of the above factors • Short run and long run considerations • “Global trade growth is expected to rise to 3.6% in 2017” suggests that trade growth is picking up again • Significance of reasons will be different in developed and developing countries: use of Figure 1 • Some countries will be more affected by the sizable fall in fuel prices while countries who rely on food and materials, might not be significantly affected: use of Figure 2 • “Lower prices of commodities and China’s lower growth rate appear to be the most important factors that generated a weak demand for imports in the emerging economies” • Slow trade growth might not be a long term trend; “more expansionary monetary policy from European Central Bank (ECB) could spur growth in eurozone area and boost demand for goods and services, including imports”: use of Figure 1 • Data on the years before 2012 would be useful (inadequate data) / there could be inaccuracies in data available 	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation/ one evaluative comment with explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
5 (d)	www.dynamicpapers.com	(16)
Knowledge, application and analysis – indicative content		
	<p>Policies might include:</p> <ul style="list-style-type: none"> • “Reducing red tape and simplify customs and border controls”: lower levels of bureaucracy / administrative and regulatory burdens on firms; promoting competition and competitiveness – resulting improvement in trade could generate more than \$1 trillion in world export gains • “Expand coverage of Information Technology Agreement (ITA)”: reduces the communication costs and helps increase trade and accelerate trade transactions – it will boost global trade, increase economic growth and create jobs • “Reduce barriers in the international trade in services”: it can support production processes by providing value-added inputs for export-oriented industries and competitive industrial development / increased FDI, technology transfer and trade • “Enabling least-developed countries to export to developed markets on a tariff-free and quota-free basis”: lower protectionist policies will encourage trade growth and bring welfare benefits (it can be shown by a tariff diagram) 	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of policies that the WTO members can implement to raise global trade growth. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of policies that the WTO members can implement to raise global trade growth. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of policies that WTO members can implement to raise global trade growth with appropriate application to context throughout. Material presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	<ul style="list-style-type: none"> • Prioritisation of the above factors • Significance of policies will be different in developed and developing countries • “The ITA only applies to around 180 products” / “many new products have come onto the market, some of which have resulted in trade disputes, out of uncertainty as to whether these products are covered by the ITA” • Even if the markets open to trade in services - “Few developing countries are taking advantage of new opportunities to specialise in the export of services as a result of limited availability and quality of data” • Policies to reduce trade barriers could lead to an adverse impact on domestic infant and geriatric industries, employment, current account position, tax revenues etc / lead to dumping and retaliation • WTO not always successful - failure of rounds of trade talks initiated at Doha • Problems of Brexit and the new US government advocating protectionism • Unfair terms of trade for many developing countries as suggested by Figure 1 	www.dynamicpapers.com
Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation / one evaluative comment with explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

