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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

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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Q:1/1/1/1/1/

P 6 6 3 2 9 A 0 1 2 4

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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) A firm is described as a multinational corporation (MNC) if it

(1)

- ☒ **A** has shareholders in many countries
- ☒ **B** exports goods to other countries
- ☒ **C** is owned by the government
- ☒ **D** operates in more than one country

(b) An increase in which **one** of the following would be most likely to encourage saving?

(1)

- ☒ **A** Interest rate
- ☒ **B** Income tax rate
- ☒ **C** Exchange rate
- ☒ **D** Indirect tax rate

(c) What is meant by the term imports?

(2)

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(d) Describe **one** reason why governments make benefit payments.

(2)

Figure 1 shows the UK's imports and exports for the year ending July 2019.

	£bn
Imports	689.9
Exports	646.7
Total UK trade	1 336.6

Figure 1

(Source: Department for International Trade: UK Trade in Numbers September 2019)

(e) Using the data in Figure 1, calculate in £bn, **the current account** for the UK year ending July 2019. You are advised to show your working.

(2)

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In December 2019, the UK and the European Union (EU) negotiated North Sea fishing quotas for 2020. It was agreed to increase the fishing quota for haddock by 30%.

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

(3)

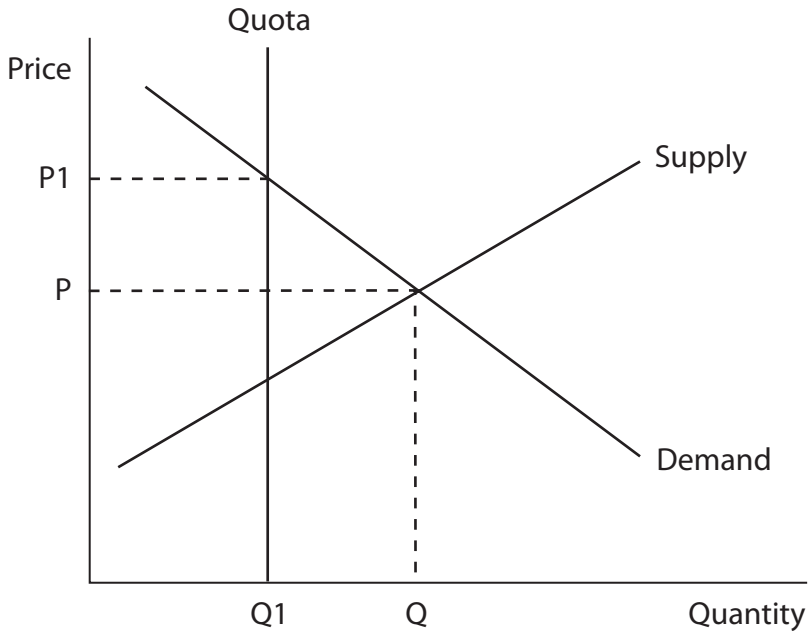

Figure 2

Norway had a current account surplus of 19.07bn Norwegian Krone (NOK) in the fourth quarter of 2019.

(g) Explain **one** possible reason why a country such as Norway had a current account surplus.

(3)

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The rate of Value Added Tax (VAT), a type of indirect taxation in the UK, is 20%.

(h) With reference to the data above and your knowledge of economics, analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK.

(6)

(Total for Question 1 = 20 marks)

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2 (a) Globalisation results in increasing

(1)

- ☒ **A** levels of debt for all national economies
- ☒ **B** protectionism amongst national economies
- ☒ **C** amounts of legislation for national economies
- ☒ **D** integration and interdependence of national economies

(b) Which **one** of the following is a possible impact of economic growth?

(1)

- ☒ **A** An increase in unemployment
- ☒ **B** An increase in environmental damage
- ☒ **C** A reduction in investment
- ☒ **D** A reduction in tax revenues

(c) State **one** type of unemployment.

(1)

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(d) What is meant by the term recovery?

(2)

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Nigeria's rate of inflation increased to 12.2% in February 2020. A rise in the price of food products, such as bread and meat, was the main reason for the increase.

(e) Explain **one** impact of rising inflation on shoe leather costs in Nigeria.

(3)

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Figure 3 shows the supply of and demand for the UK pound (£) in terms of US dollars ($) and the equilibrium exchange rate.

(f) Using the diagram below, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

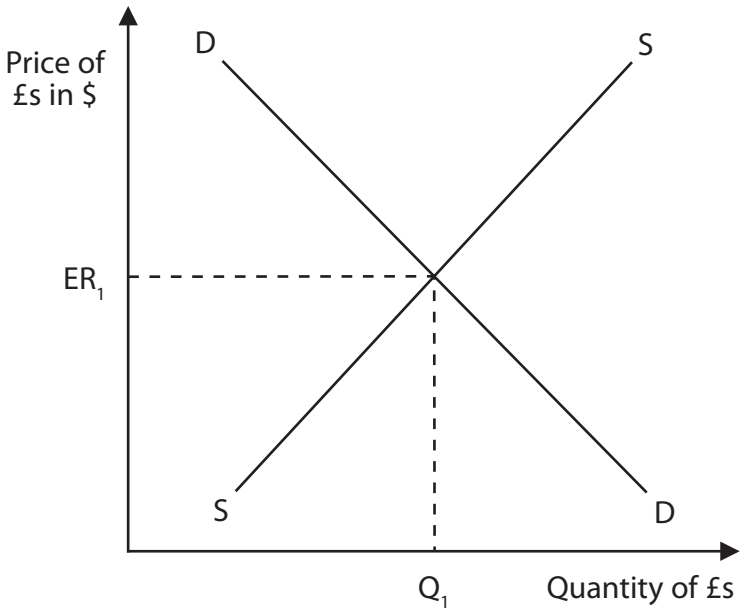

Figure 3

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After nearly 20 years of negotiations, the European Union (EU) and Mercosur, the South American trading bloc, have agreed a draft trade deal. It would create the largest free trade area in the world consisting of 770 million people. The two blocs currently trade more than €88bn in goods and €34bn in services every year.

The EU would eventually end 92% of the tariffs on Mercosur imports. Mercosur would gradually remove its tariffs on 91% of EU goods, which amounts to €4bn. This includes removing the tariffs on clothing, chemicals, wine and canned peaches. Mercosur farmers would be allowed to export a specific quantity of beef, sugar and chicken at a lower tariff rate to the EU each year.

(Source: https://www.dw.com/en/eu-mercosur-free-trade-deal-what-you-need-to-know/a-49414103)

(g) With reference to the data above and your knowledge of economics, assess the advantages of free trade for firms located within the EU.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) Which **one** of the following is an example of deregulation?

(1)

- ☒ **A** Introducing a national minimum wage rate
- ☒ **B** More health and safety laws
- ☒ **C** Introducing licences for firms to operate
- ☒ **D** More firms allowed to enter a market

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An improvement in productivity
- ☒ **B** An improvement in weather conditions
- ☒ **C** An increase in wage rates
- ☒ **D** An increase in the consumption of goods

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The UK Government gives subsidies to firms in the renewable energy market that provide wind and solar energy.

(c) Explain **one** reason why the UK Government gives subsidies to firms in the renewable energy market.

(3)

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Nauru is a tiny island country in Micronesia, northeast of Australia. It has a population of 10,824. In 2019, Nauru had a fiscal surplus of 16.1% of GDP.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of having a fiscal surplus for a country such as Nauru.

(6)

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More than 125 million tonnes of poisonous gases pollute the US state of Colorado's air every year. US Government records show that 46 million tonnes, or 36% of the total air pollution, comes from 119 large industrial polluters. These include 35 power stations. More than half the electricity in Colorado is still generated from burning coal despite 10 years of government efforts to encourage producers to switch to clean energy.

(e) With reference to the data above and your knowledge of economics, assess the effectiveness of pollution permits in protecting the environment for a country such as the US.

(9)

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4 Figure 4 shows the $618 bn spent by India on existing infrastructure projects in 2019.

Existing infrastructure projects	$bn
Renewable energy	200
Railways	147
Roads and highways	109
Metro rail	109
Smart cities	32
Airports and ports	21
Total	**618**

Figure 4

(Source adapted from: https://www.businessinsider.in/Nearly-half-of-Narendra-Modis-1-4-trillion-new-infrastructure-promise-may-be-already-approved-projects/Existing-promises/slideshow/68795905.cms)

(a) Calculate, to two decimal places, **the percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in 2019. You are advised to show your working.

(2)

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Figure 5 shows the average unemployment rate (%) in India between 2016 and April 2020.

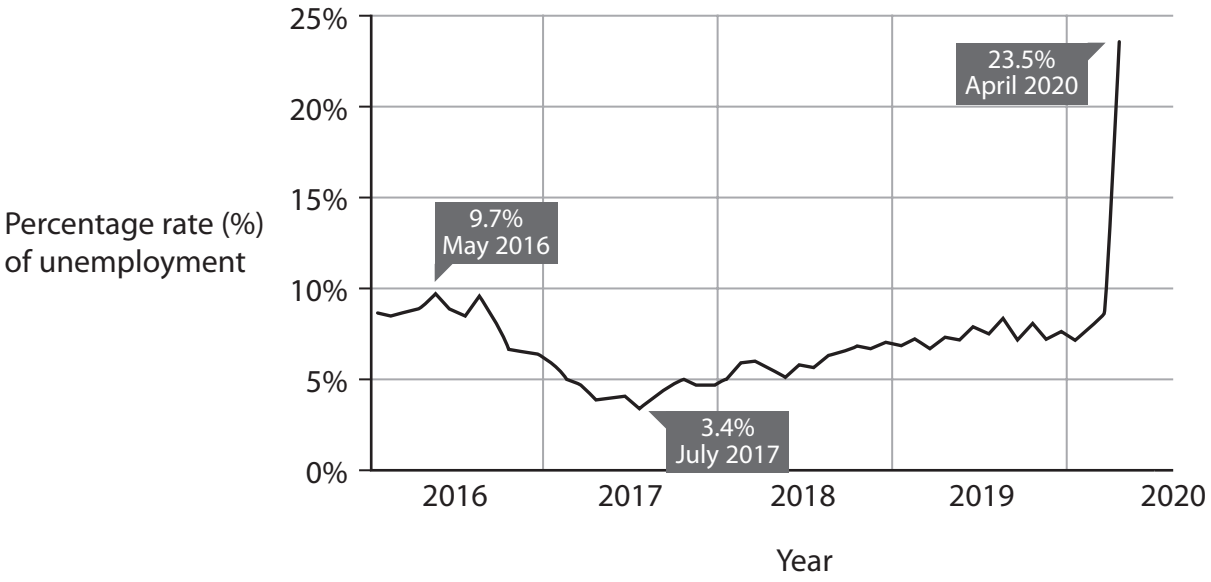

Figure 5

(Source adapted from: https://www.statista.com/chart/20014/unemployment-rate-india/)

(b) With reference to the data above and your knowledge of economics, analyse the impact of rising unemployment rates on business confidence for a country such as India.

(6)

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The growth of India's gross domestic product (GDP) slowed to 4.5% in the quarter ending September 2019, the lowest point for 6 years. The fiscal deficit was 3.4% of GDP and was estimated to increase to 3.7% by 2020. This came at a time when the Prime Minister, Narendra Modi, announced plans to spend $1.5 trillion on infrastructure. The expenditure on these projects is expected to be 1.1% of GDP by 2025.

"Building new roads, rail links, airports and other social and economic infrastructure such as smart cities is essential for attracting investments and making India a $5 trillion economy," said Finance Minister Nirmala Sitharaman.

This spending on infrastructure will be a huge opportunity for Indian construction, road and cement companies such as GMR Group, Dilip Buildcon and Ultratech. Domestic steel prices are predicted to increase due to the higher demand from infrastructure projects.

Source adapted from: https://www.bloomberg.com/news/articles/2019-12-31/india-plans-1-5-trillion-infrastructure-spending-to-spur-growth

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of spending on infrastructure to increase total output in a country such as India.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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