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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

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.
- Good luck with your examination.

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) Which **one** of the following terms refers to a physical limit on the quantity of imported products allowed into a country?

(1)

- ☒ **A** Devaluation
- ☒ **B** Dumping
- ☒ **C** Public good
- ☒ **D** Quota

(b) Which **one** of the following names is given to the government policy that aims to increase the productive capacity of the economy?

(1)

- ☒ **A** Trade
- ☒ **B** Fiscal
- ☒ **C** Supply-side
- ☒ **D** Exchange rate

(c) What is meant by the term downturn?

(2)

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(d) What is meant by the term infant industries?

(2)

In August 2019 Inter Milan, an Italian football club, paid £73m to Manchester United for the transfer of footballer Romelu Lukaku. The exchange rate was £1 = €1.08.

(e) Calculate **the price Inter Milan paid in euros (€)** for the transfer of Romelu Lukaku. You are advised to show your working.

(2)

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In December 2019, the USA imposed a 10% tariff on toys imported from China.

(f) Using the diagram below, draw the likely effect of the introduction of this tariff on the equilibrium price and quantity of toys imported from China. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

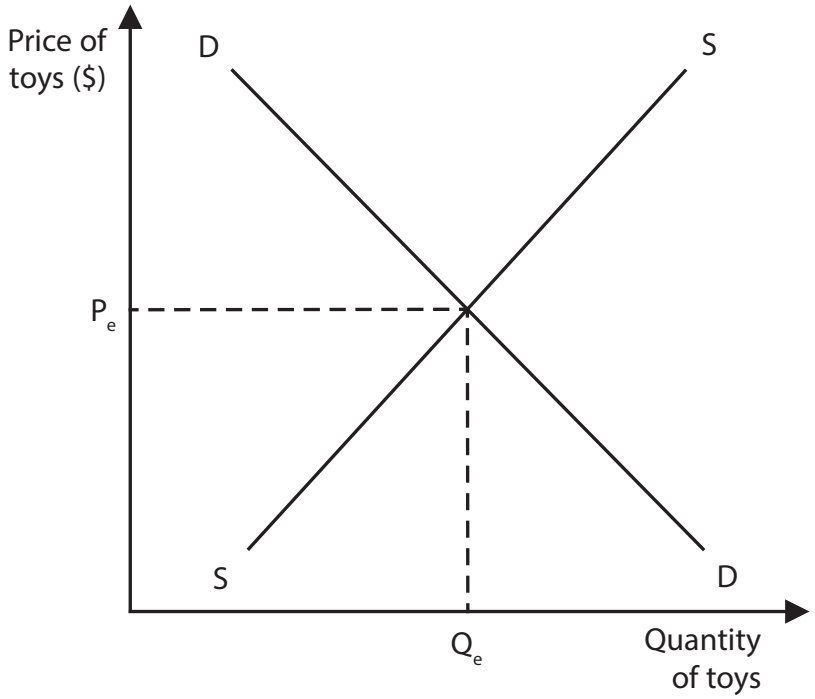


Figure 1

Economic growth in Malaysia increased to 4.9% between April and June 2019.

(g) Explain **one** disadvantage of economic growth for a country such as Malaysia.

(3)

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Kenya's annual inflation rate increased to 6.27% in July 2019 from 5.7% in the previous month. Kenya's central bank base rate for July was 9%.

(h) With reference to the data above and your knowledge of economics, analyse how monetary policy can be used to control inflation in a country such as Kenya.

(6)

(Total for Question 1 = 20 marks)

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2 (a) A depreciation in a country's exchange rate is most likely to lead to which **one** of the following?

(1)

- ☒ **A** Lower inflation
- ☒ **B** Higher exports
- ☒ **C** Increased unemployment
- ☒ **D** Increased budget surplus

(b) Which **one** of the following terms may refer to someone having a lower standard of living in comparison to the average person in society?

(1)

- ☒ **A** Absolute poverty
- ☒ **B** Income distribution
- ☒ **C** Relative poverty
- ☒ **D** Poverty trap

(c) State **one** effect on the balance of payments of improved quality of domestic goods.

(1)

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(d) What is meant by the term fiscal policy?

(2)

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In December 2019 the unemployment rate in Venezuela was approximately 44%.
This was much higher than the previous December's figure of 35%.

(e) Explain **one** impact of increasing unemployment rates on business confidence in a country such as Venezuela.

(3)

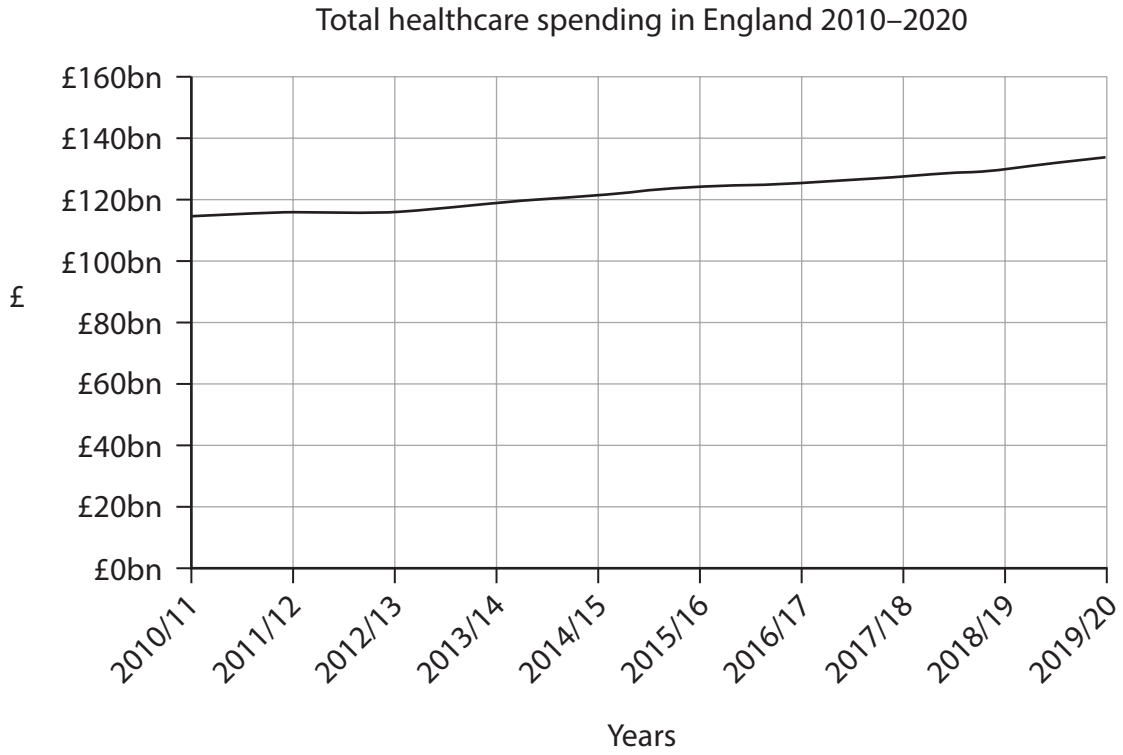
By volume, 90% of world trade of goods are transported by sea in containers. There are 5,000 container ships in the world and the largest carries more than 20,000 containers. It now costs only $0.05 to ship a t-shirt across the world from low-cost countries such as Vietnam.

(f) Explain **one** reason why the reduced cost of transport has helped to increase globalisation.

(3)

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Total healthcare spending in England was £129bn in 2018–2019 and was expected to rise to nearly £134bn by 2019–2020. Access to healthcare is free in England.



(Source adapted from: https://fullfact.org/health/spending-english-nhs/)

Figure 2

(g) With reference to the data above and your knowledge of economics, assess the use of investment in healthcare to reduce the level of inequality and poverty in a country such as England.

(9)

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(Total for Question 2 = 20 marks)

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3 Figure 3 shows selected UK Government receipts from taxation in 2019.

	£bn
Sales tax (VAT)	186.3
Income tax	268.3
Tariffs	31.9
Business tax	53.4

Figure 3

(a) What is the total amount of revenue raised by direct taxes?

(1)

- ☒ **A** £454.6bn
- ☒ **B** £321.7bn
- ☒ **C** £218.2bn
- ☒ **D** £85.3bn

(b) A government can try to stop its exchange rate from appreciating by

(1)

- ☒ **A** increasing interest rates
- ☒ **B** selling its reserves of foreign currency
- ☒ **C** buying its own currency
- ☒ **D** selling its own currency

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The Government of Bangladesh provides subsidies of between 2% and 4% on the export of clothing. In 2019, it introduced additional subsidies of up to 10% for the export of 10 new products including home appliances.

(c) Explain **one** advantage of using subsidies for a country such as Bangladesh.

(3)

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A UK environmental group has called for tough action to tackle air pollution, particularly from road transport. It wants the UK Government to impose higher taxation on petrol and diesel fuel for cars and trucks.

(d) With reference to the data above and your knowledge of economics, analyse the advantages of using taxation to help protect the environment in a country such as the UK.

(6)

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Just 30 years ago, Ghana was in crisis with high levels of poverty and on the edge of economic collapse. The West African nation has made a significant recovery and was predicted to be the world's fastest growing economy in 2019.

The International Monetary Fund (IMF) estimates Ghana's Gross Domestic Product (GDP) growth rate of 8.8% will be double that of emerging economies, and well ahead of world growth rates. Ghana is one of the world's largest cocoa producers. Its growth is now being maintained by a different commodity, the extraction of crude oil.

(Source adapted from: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/GHA)

(e) With reference to the data above and your knowledge of economics, assess the use of GDP as a measure of growth for a country such as Ghana.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 4 shows the amount of foreign direct investment (FDI) India received from 2016–2019.

Year	FDI ($bn)
2016	45.14
2017	55.55
2018	60.98
2019	64.37

Figure 4

(Source adapted from: https://www.businesstoday.in/current/economy-politics/india-has-received-highest-ever-fdi-of-6437-billion/story/369313.html)

(a) Calculate, to two decimal places, the **annual average value of FDI in $bn** for India from 2016–2019. You are advised to show your working.

(2)

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India is a member of the Asia-Pacific Trade Agreement (APTA). This preferential trade agreement has five members including Bangladesh, China, South Korea and Sri Lanka.

(b) With reference to the data above and your knowledge of economics, analyse the benefits for India from being a member of a trading bloc.

(6)

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In January 2019, the Indian Government approved new legislation that improved and simplified its policy on foreign direct investment (FDI). This helped to attract more multinational corporations (MNCs) to the country.

In 2019, India ranked among the top 10 economies benefitting from FDI. The overall growth of FDI in India was due to its many resources. These include a high degree of specialisation in services and a skilled, English-speaking, low-cost labour force. India also has a potential market of over one billion people.

FDI in India has been focused on chemicals, computer software and hardware, telecommunications, the automobile industry, construction, power and pharmaceuticals.

(Source adapted from: https://www.nordeatrade.com/en/explore-new-market/india/investment)

(c) With reference to the data above and your knowledge of economics, evaluate the benefits of FDI for 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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