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Pearson Edexcel
International GCSE

Centre Number

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Economics

Paper 1

Friday 20 January 2017 – Morning
Time: 2 hours 30 minutes

Paper Reference

4EC0/01

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.*

Information

- The total mark for this paper is 120.
- 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.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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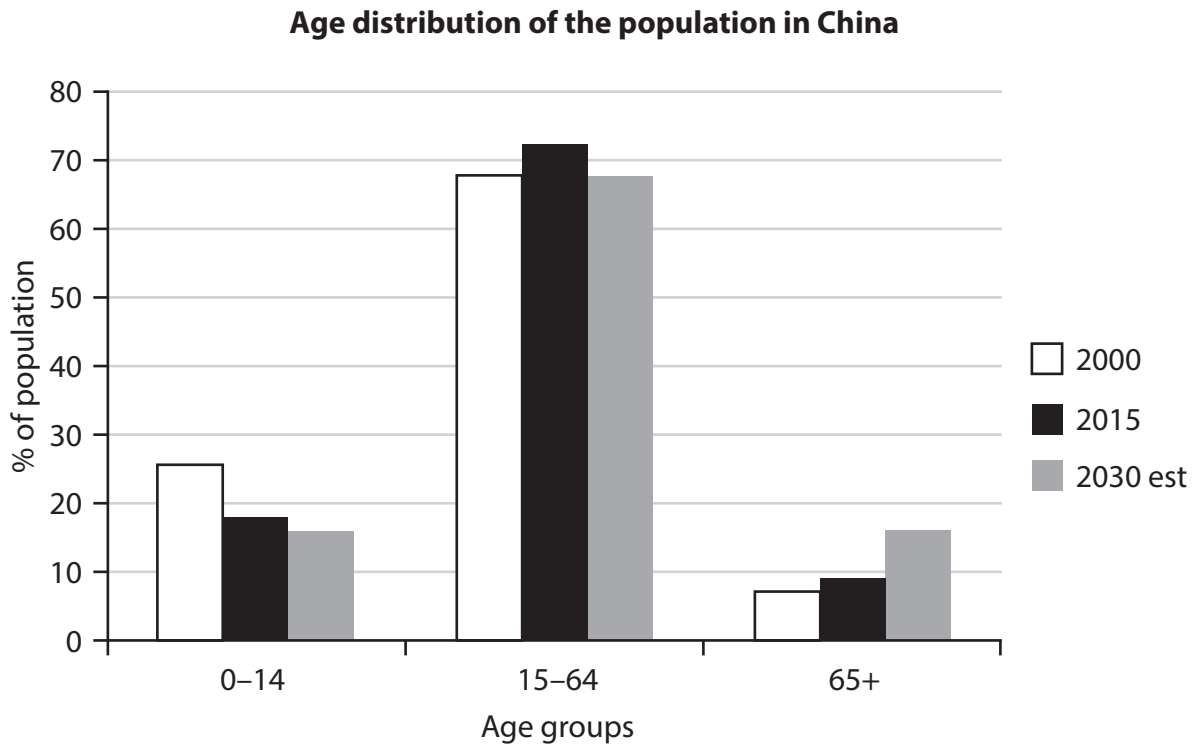


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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in the 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) Figure 1a shows the age distribution of the population in China in the years 2000, 2015 and 2030 estimated (est).



(Source: <http://www.nationmaster.com/country-info/profiles/China/People/Age-distribution#2030>)

Figure 1a

The data in Figure 1a shows that China is experiencing an ageing population.

- (i) With reference to Figure 1a, explain the term 'ageing population'.

(3)

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In 1979 the Chinese government limited couples to only one child but in 2015 the government announced it would allow couples to have two children to overcome the problems of an ageing population.

(ii) Identify **one** problem faced by the **government** of a country that may result from an ageing population. (1)

(iii) Identify **one** policy, apart from allowing couples to have more children, that could overcome the problem you have identified in (a)(ii). (1)

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(iv) To what extent are the wages of agricultural workers in a country determined by the demand for labour rather than the supply of labour?

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(b) In recent years China has become the world's largest potato producer. Potatoes now compete with rice as a major part of the Chinese diet.

(i) Which of the following describes the relationship between potatoes and rice? (1)

- A They are complements
- B They are substitutes
- C They are unrelated
- D They must be grown together

(ii) If potatoes have a price elasticity of demand greater than 1, what happens to total revenue when the price of potatoes increases? Explain your answer. (3)

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(iii) Define price elasticity of supply. (2)

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Potatoes are used in the production of frozen french fries which are increasing in popularity in China as the number of fast food restaurants grows.

(iv) The elasticity of supply of frozen french fries is likely to be more elastic than the elasticity of supply of fresh potatoes. Do you agree with this statement? Give reasons for your answer.

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(c) Study Figure 1b below.

	Income elasticity of demand	Type of good
Bread	-0.50	
Fuel for cars	+0.75	
Cakes	+1.80	

Figure 1b

- (i) Complete the final column of Figure 1b by inserting A, B or C to show the type of good described by the **income elasticity of demand**.

You may use the letters A, B and C more than once.

A : Normal good that is a necessity

B : Normal good that is a luxury

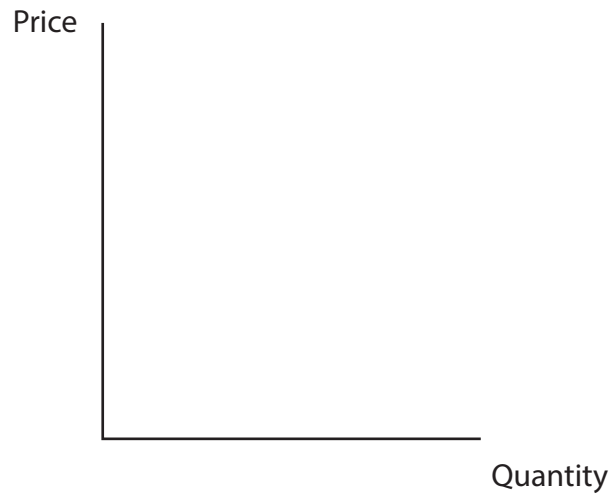
C : Inferior good

(3)



(ii) Using the data in Figure 1b, draw and label a diagram to show the effect of a recession on the market for cakes. Explain your reasoning.

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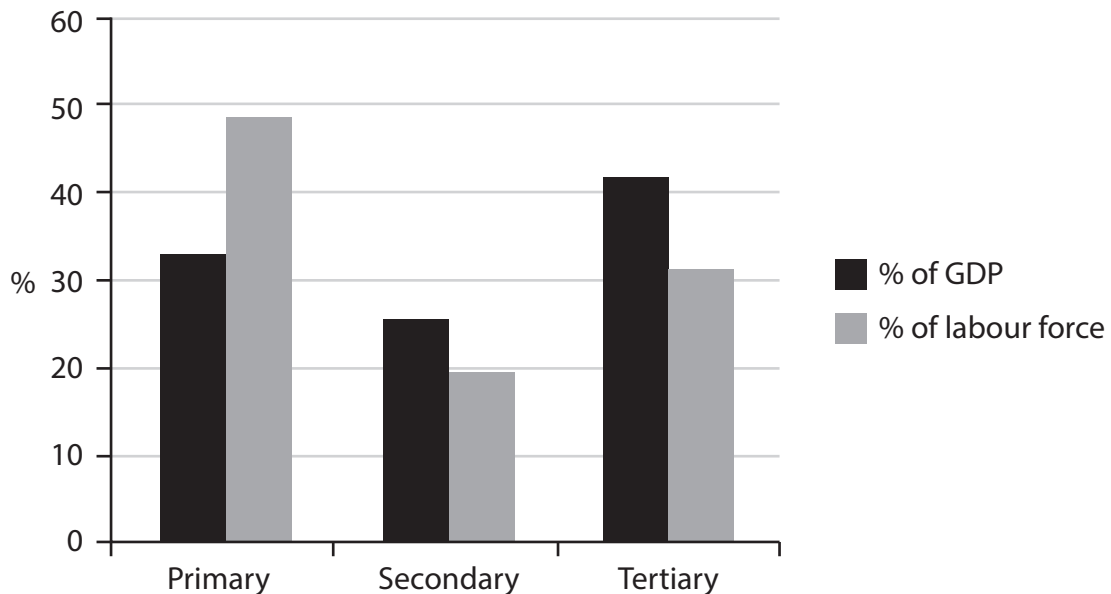
2 (a) All economies have three sectors: primary, secondary and tertiary.

(i) Give an example of an occupation in the tertiary sector.

(1)

Figure 2a shows the percentage contribution to Gross Domestic Product (GDP) of each sector of the Cambodian economy and the percentage of the workforce employed in each sector in 2014.

GDP and employment: Cambodia 2014



(Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/cb.html>)

Figure 2a

(ii) In which sector is productivity lowest?

(1)

- A Primary
- B Secondary
- C Tertiary

(iii) With reference to Figure 2a, explain your answer to (a)(ii).

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(iv) Identify and briefly explain **two** methods that could be used to increase productivity in the primary sector.

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(v) It is easier for firms to increase productivity in the secondary sector than in the tertiary sector. Do you agree with this statement? Give reasons for your answer.

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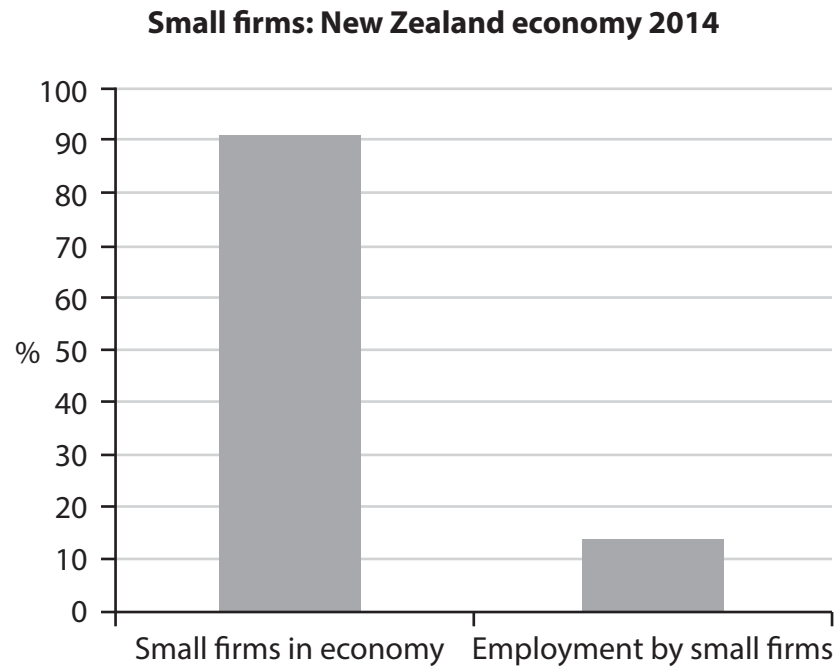
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P 4 8 3 9 8 A 0 1 1 2 8

- (b) In New Zealand small firms are defined as those firms that employ between 1 and 20 employees.

Figure 2b shows the percentage of small firms in the New Zealand economy and the percentage of the workforce they employ in 2014.



(Source: <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/sectors-reports-series/the-small-business-sector-report-and-factsheet>)

Figure 2b

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(i) Does Figure 2b support the argument that small firms are important to the New Zealand economy? Justify your answer.

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(ii) Identify and briefly explain **one financial** and **one non-financial** method a government can use to encourage the growth of small firms.

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Non-financial

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In New Zealand only 42% of small firms (1–20 employees) are more than 10 years old. This compares to 66% of larger firms (over 20 employees) which are more than 10 years old.

(iii) The actions of large firms are the main factors which lead to the failure of small firms. Do you agree with this statement? Give reasons for your answer.

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(Total for Question 2 = 30 marks)



- 3 (a) Figure 3a shows the balance of trade in United States dollars (USD) in billions for Brazil, 2013 and 2014.

	2013	2014
Visible imports USD (billions)	242	225
Visible exports USD (billions)	240	229

(Source: adapted from <http://www.tradingeconomics.com>)

Figure 3a

- (i) Calculate the balance of trade in 2013 and 2014.

(2)

2013

2014

- (ii) What has happened to the balance of trade from 2013 to 2014?

(1)

- A** The balance of trade has stayed the same
- B** The balance of trade has worsened
- C** The balance of trade has become more favourable

- (iii) Identify and briefly explain **two** ways in which a government can help to increase the exports of its country.

(4)

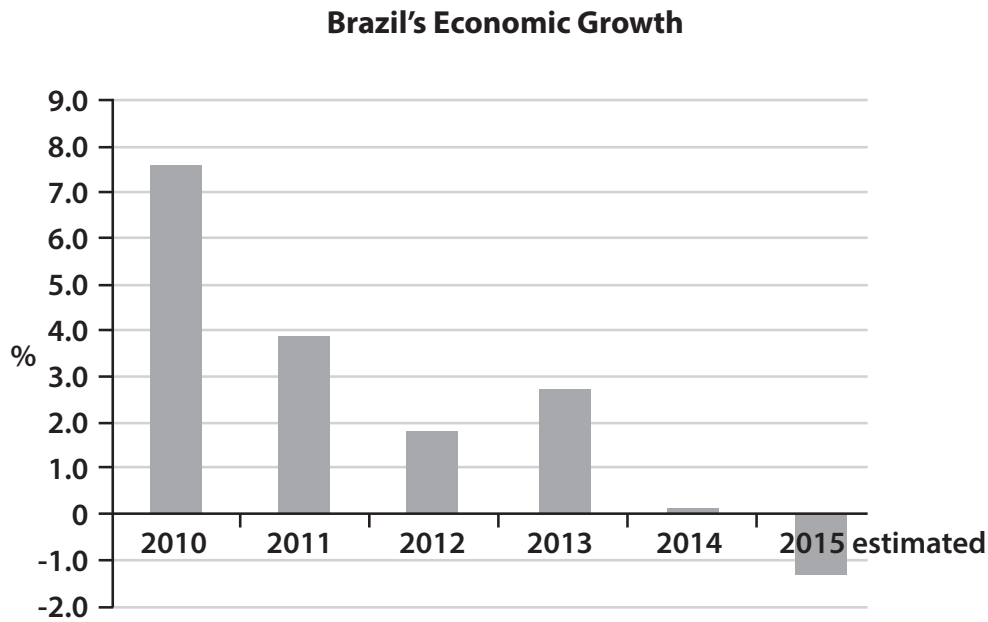
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(b) Figure 3b shows the economic growth of Brazil, 2010–2015 (estimated).



(Source: <http://www.focus-economics.com/countries/brazil>)

Figure 3b

(i) Explain the relationship between real Gross Domestic Product and economic growth.

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(ii) Using the data in Figure 3b, describe what was estimated to happen to Brazil's real Gross Domestic Product in 2015.

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(iii) The advantages of economic growth always outweigh the disadvantages.
Discuss.

(6)

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- (c) In October 2015 the rate of inflation in Brazil rose to 9.9%, the highest rate since November 2003.

The central bank of Brazil decided to maintain interest rates at a high level.

- (i) Increasing the rate of interest is an instrument of (1)

- A fiscal policy
- B monetary policy
- C supply side policy

- (ii) Identify **two** functions of money. (2)

- (iii) Briefly explain the effect of inflation on **one** function of money identified in (c)(ii). (2)

The following are main economic objectives for governments:

- reducing unemployment
- controlling inflation
- balancing the current account of the balance of payments

- (iv) Identify **one other main** economic objective. (1)



To reduce inflation the government of Brazil has increased the rate of interest.

(v) Assess the impact of this increase in the rate of interest on employment levels in Brazil.

(6)

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4 Globalisation is a process of increasing economic interdependence between countries and regions of the world.

(a) (i) Briefly explain why developments in technology **and** transport have led to the growth of globalisation.

(4)

Technology

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Transport

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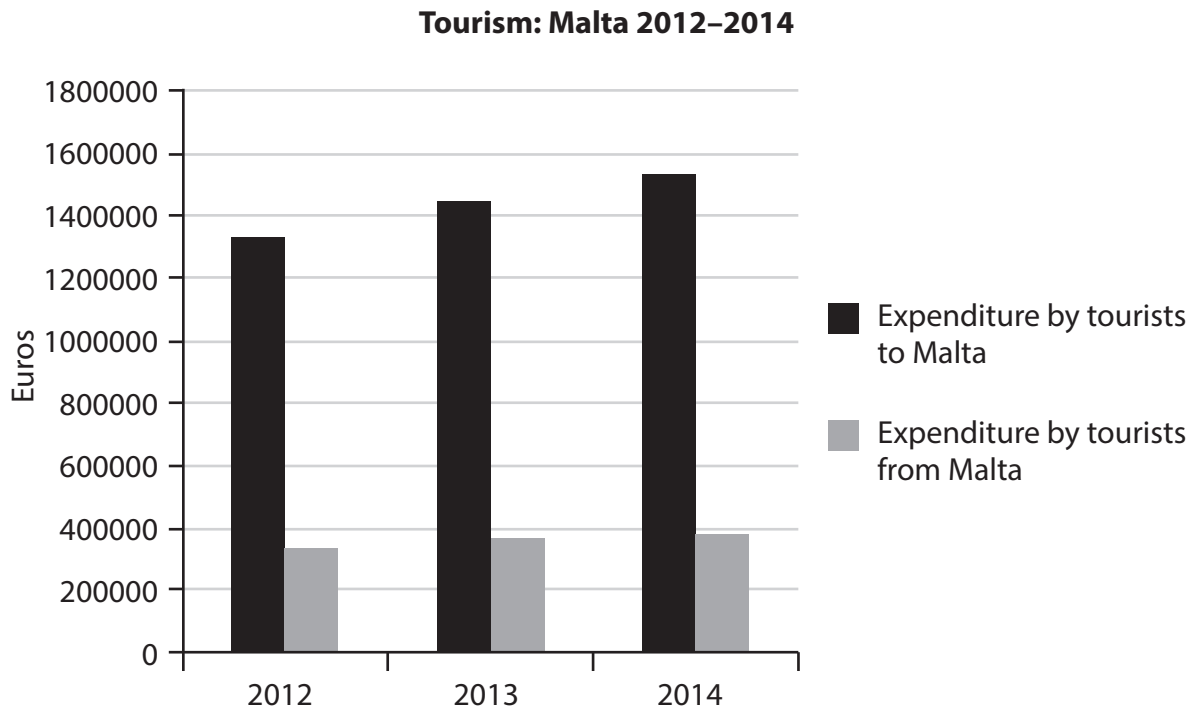
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Figure 4a shows the amount of money spent by tourists going to Malta and also the expenditure of Maltese tourists going to other countries, 2012–2014.



(Source: <http://www.independent.com.mt/articles/2015-06-17/local-news/Malta-Tourism-Authority-publishes-statistical-report-for-2015-6736137413>)

Figure 4a

(ii) With reference to the data in Figure 4a, compare the trends in expenditure by tourists **to** Malta with tourists **from** Malta.

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(iii) Money earned from foreign tourists visiting Malta is shown in Malta's current account on the balance of payments as:

(1)

- A visible exports
- B invisible exports
- C visible imports
- D invisible imports

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The currency of Malta is the euro. In 2015 the euro depreciated in value against the GB pound.

(iv) The advantages of a depreciation of a currency always outweigh the disadvantages. Do you agree? Give reasons for your answer.

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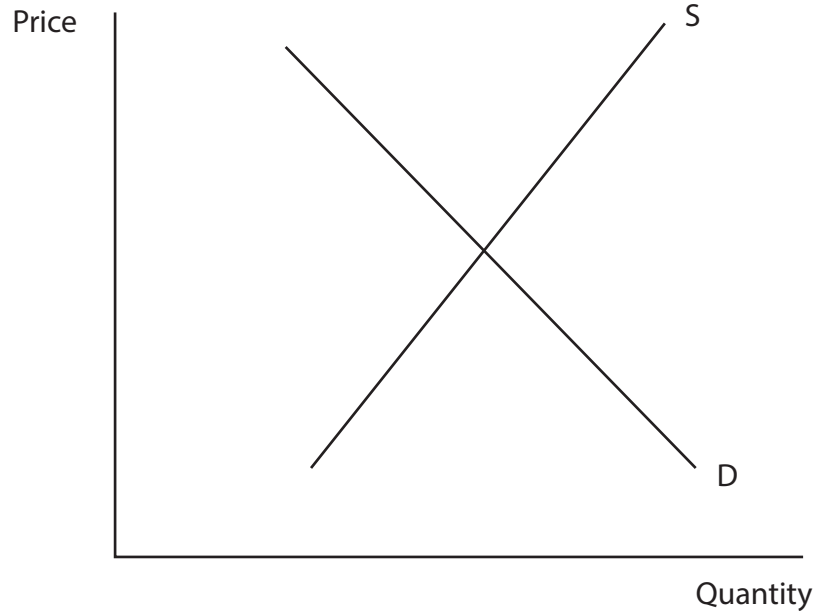
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In 2014 China began to release increasing amounts of subsidised steel onto the global market as its economic growth slowed.

- (b) (i) Explain, with the aid of an appropriate diagram, the effect of the Chinese government's steel subsidy on the price and quantity of China's exports of steel.

(5)



Explanation

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China has been accused of dumping steel onto the global market.

- (ii) What is meant by the term 'dumping'?

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(iii) Briefly explain **one** reason why China might have dumped steel onto the global market.

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(iv) Free trade is always beneficial for a country. Do you agree with this statement?
Give reasons for your answer.

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TOTAL FOR PAPER = 120 MARKS



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