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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 Advanced Level

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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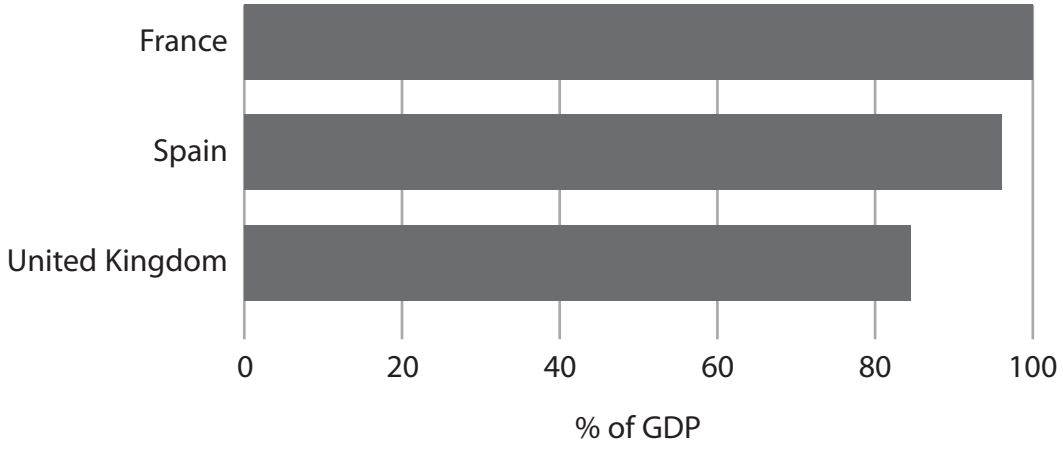
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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 The chart shows national debt as a percentage of GDP for selected countries in 2020.



Which **one** of the following can be deduced from the chart?

☒ **A** In the UK tax revenues must have been lower than public expenditure in previous years

☒ **B** In Spain public expenditure as a percentage of GDP must have been higher than in France

☒ **C** In France imports must have been greater than exports

☒ **D** In the UK crowding out is more likely than in Spain

(Total for Question 1 = 1 mark)

2 In South Korea manufacturing as a share of GDP was 17% in 1969 and 25% in 2019.

Which **one** of the following theories suggests that industrialisation is a strategy to promote economic growth and development?

☒ **A** The Prebisch–Singer hypothesis

☒ **B** The Marshall–Lerner condition

☒ **C** The Harrod–Domar model

☒ **D** The Lewis structural dual-sector model

(Total for Question 2 = 1 mark)

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3 In 2020 Denmark's international competitiveness rank was six places higher than in 2019.

Which **one** of the following is the most likely reason for this increase in Denmark's international competitiveness?

- ☒ **A** An increase in its unit labour costs relative to other countries
- ☒ **B** An increase in its transportation costs relative to other countries
- ☒ **C** An increase in its labour productivity relative to other countries
- ☒ **D** An increase in its rate of inflation relative to other countries

(Total for Question 3 = 1 mark)

4 In December 2020 the Spanish Government announced that it was increasing the highest rate of income tax from 45% to 47%.

Which **one** of the following is the most likely impact of this change?

- ☒ **A** The Government will receive an additional 2% tax from all workers in Spain
- ☒ **B** The value of Spain's Gini coefficient will fall and the country's Lorenz curve will shift inwards
- ☒ **C** The burden of tax will fall mostly on low income households, as the tax change is regressive
- ☒ **D** There will be an increased incentive for people to set up businesses in Spain

(Total for Question 4 = 1 mark)

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5 The table shows the maximum production possibilities for Country X and Countr in a given year.

Country	Bags		Shoes
X	80 000	**OR**	80 000
Y	35 000	**OR**	35 000

Which **one** of the following can be deduced from this table?

☒ **A** Neither country will benefit from specialisation and trade

☒ **B** Country X has a comparative advantage over Country Y in the production of bags and shoes

☒ **C** Country Y has an absolute advantage over Country X in the production of bags and shoes

☒ **D** There is no opportunity cost for either country in producing bags or shoes

(Total for Question 5 = 1 mark)

6 Between September 2019 and September 2020, Australia's export prices decreased by 9.9% and import prices decreased by 5.7%.

If September 2019=100, what was Australia's terms of trade in September 2020?

☒ **A** 57.58

☒ **B** 95.55

☒ **C** 104.66

☒ **D** 173.68

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B BEGINS ON THE NEXT PAGE.

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SECTION B

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering Qu on 7.

Write your answers in the space provided on the following pages.

7 (a) With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working.

(2)

(b) With reference to Figure 3 and Extract A, analyse **two** factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira.

(6)

(c) Explain what is meant by a 'customs union' (Extract A, lines 22–23).

(4)

(d) With reference to the last paragraph of Extract A, examine **two** likely economic benefits to Turkey of joining the European Union.

(8)

(e) With reference to the information provided, discuss the likely economic effects of a further increase in the base interest rate.

(14)

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7 (a) With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working.

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(b) With reference to Figure 3 and Extract A, analyse **two** factors, other than chan in interest rates, that may have led to a depreciation of the Turkish lira.

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(c) Explain what is meant by a 'customs union' (Extract A, lines 22–23).

(4)

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(d) With reference to the last paragraph of Extract A, examine **two** likely economi benefits to Turkey of joining the European Union.

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(e) With reference to the information provided, discuss the likely economic effect a further increase in the base interest rate.

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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.

8 Between 1980 and 2020 it was estimated that total global shipping container volumes increased from 100 million tonnes to 2 billion tonnes.

Evaluate factors that have contributed to increased globalisation in the last 50 years. Refer to examples of countries in your answer.

(Total for Question 8 = 20 marks)

9 In 2020 the European Union imposed retaliatory tariffs of 25% on many US goods in a dispute over aircraft subsidies.

Evaluate possible reasons why developed countries might restrict free trade.

(Total for Question 9 = 20 marks)

10 In 2020 Pakistan had a Human Development Index (HDI) score of 0.60 whereas Argentina had a HDI score of 0.85.

Evaluate economic factors that constrain the growth and development of a developing country.

(Total for Question 10 = 20 marks)

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Write the answer to your FIRST chosen question here.

Indicate which question you are answering by marking a cross in the box ☒. If you c e your mind, put a line through the box ☒ and then indicate your new question with a cro .

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

Chosen question number: **Question 8** ☐ **Question 9** ☐ **Question 10** ☐

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Write the answer to your SECOND chosen question here.

Indicate which question you are answering by marking a cross in the box ☒. If you c e your mind, put a line through the box ☒ and then indicate your new question with a cro .

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

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TOTAL FOR SECTION C = 40 MARKS

TOTAL FOR PAPER = 80 MARKS

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Pearson Edexcel International Advanced vel

Time 2 hours

Paper reference **WEC14/0**

Economics

International Advanced Level
UNIT 4: Developments in the global economy

Source Booklet

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Sources for use with Section B

The economy of Turkey

Figure 1 Central bank base interest rate, January 2018 to December 2020

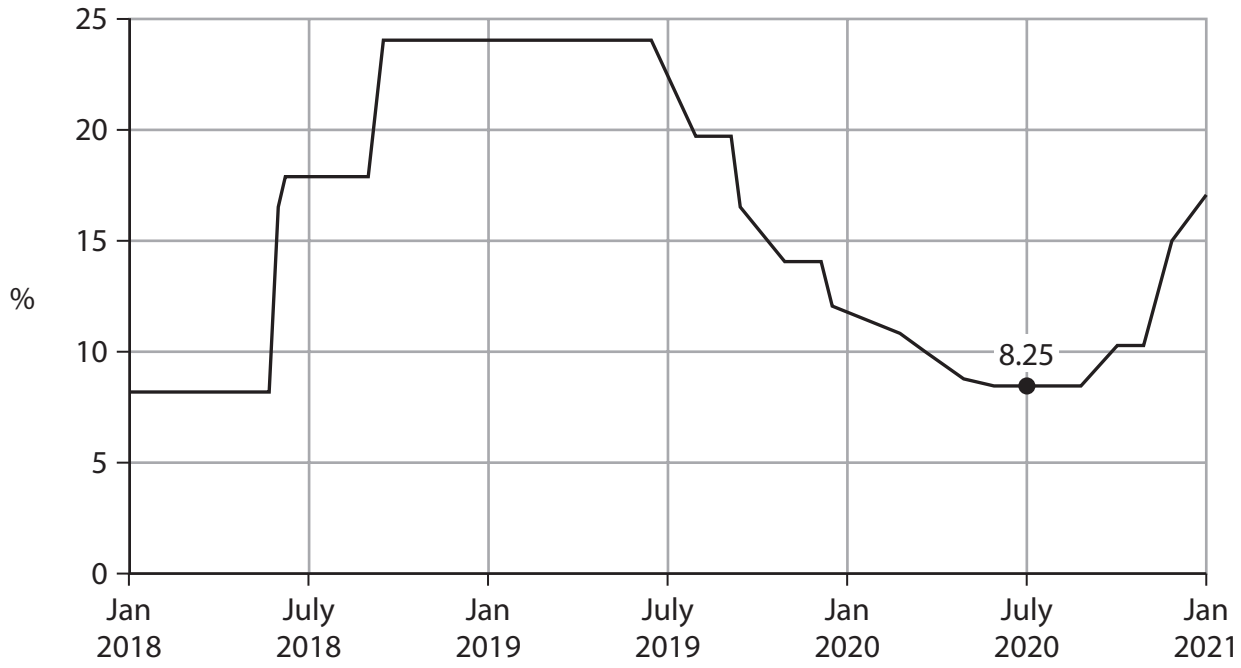
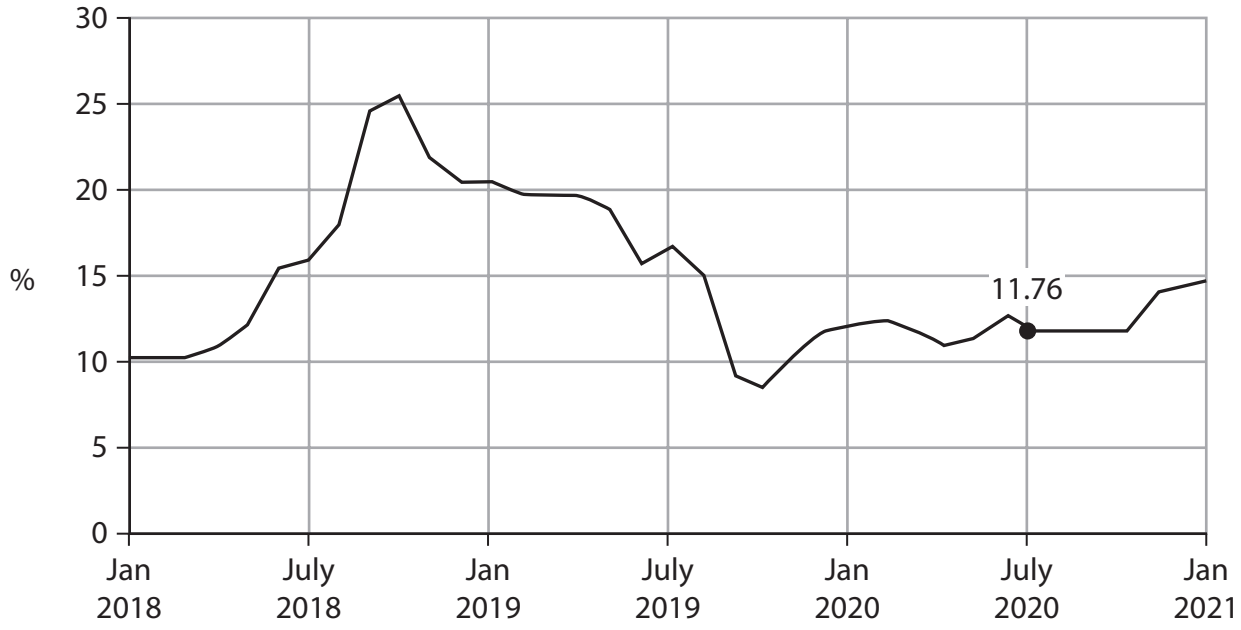
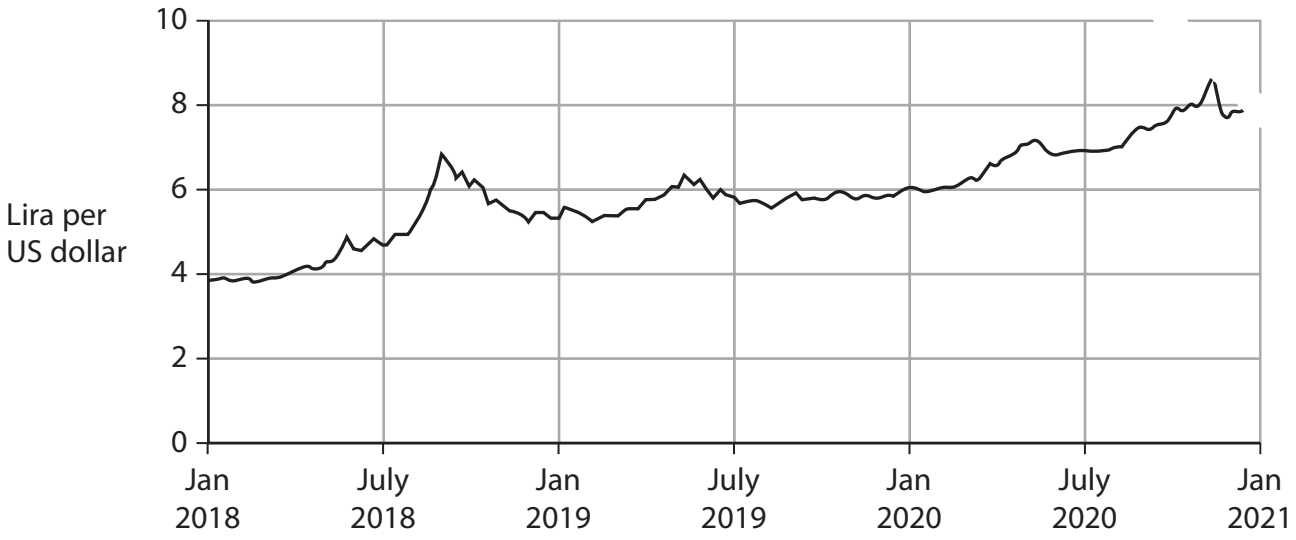


Figure 2 Rate of inflation, as measured by the Consumer Price Index (CPI), January 2018 to December 2020



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Figure 3 Turkish lira–US dollar exchange rate*, January 2018 to December 20



* Turkey's currency is known as the Turkish lira

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Extract A Currency depreciation

Turkey's President, who controls the Central Bank of Turkey, is an opponent of high interest rates. He dismissed the Central Bank's previous Governor in 2019, complaining that "he would not follow instructions on interest rates". The Central Bank made a series of interest rate cuts after a new Governor was appointed. The President wanted a reduction in interest rates to encourage borrowing by businesses and consumers in order to stimulate Turkey's rate of economic growth.

By contrast, some economists urged the Central Bank to raise interest rates to slow the pace of credit growth and to avoid a currency crisis. They argued that following the reduction in base interest rates, there was a further fall in the exchange rate of the Turkish lira against the US dollar. Turkey's large current account deficit and capital flight have also contributed to the depreciation of the Turkish lira. Attempts to increase the external value of the lira while keeping interest rates low have reduced most of the Central Bank's foreign currency reserves. Economists warned that the risk of a financial crisis in Turkey was growing.

In response, the new Governor of the Central Bank of Turkey raised the base interest rate. This increase indicated that the Central Bank was concerned about the weakness of the lira and a high rate of inflation. By December 2020 the base interest rate had increased to 17%. However, some economists argued that the Central Bank would need to raise the base interest rate further to support the weak currency.

Turkey's long-term economic growth will depend on attracting foreign direct investment and establishing a stronger partnership with the European Union (EU) which is a customs union and common market. Turkey is an important partner for the EU on matters related to trade, investment and migration. Governments of many EU countries believe that they have an economic interest in developing a mutually beneficial relationship with Turkey.

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Acknowledgements

Figure 1 based on data taken from tradingeconomics, 'Turkey interest rate', https://tradingeconomics.com/turkey/interest-rate,

Figure 2 based on data taken from tradingeconomics, 'Turkey inflation rate', https://tradingeconomics.com/turkey/inflation-cpi,

Figure 3 based on data taken from YCHARTS, 'US Dollar to Turkish Lira Exchange Rate', https://ycharts.com/indicators/us_dollar_to_turkish_lira_exchange_rate

Extract A adapted from 'Turkey raises interest rate in unexpected move to tackle lira's fall', https://www.ft.com/content/68abcd57-3553-404a-ab23-fc5a13b385a0

Extract A adapted from 'EU plans new sanctions on Turkey over Mediterranean dispute', https://www.ft.com/content/9edf14e1-db2e-4cba-845d-ef11a6f5d680