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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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SECTION A

Answer ALL questions in this section.

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 In 2022 Mali was one of the least developed countries in the world with an HDI score of 0.43.

Which **one** of the following interventionist strategies could stimulate economic development in Mali?

☒ **A** Promotion of foreign direct investment

☒ **B** Development of human capital

☒ **C** Removal of government subsidies

☒ **D** Privatisation of nationalised industries

(Total for Question 1 = 1 mark)

2 Between January 2021 and November 2021 the eurozone currency, the euro, depreciated against the US dollar from €1 = $1.23 to €1 = $1.13.

Which **one** of the following could have caused the depreciation in the exchange rate of the euro against the US dollar?

☒ **A** There was greater economic stability in the eurozone than in the USA

☒ **B** The eurozone inflation rate decreased relative to that in the USA

☒ **C** There was more capital flight from the eurozone than from the USA

☒ **D** The eurozone interest rate increased relative to that in the USA

(Total for Question 2 = 1 mark)

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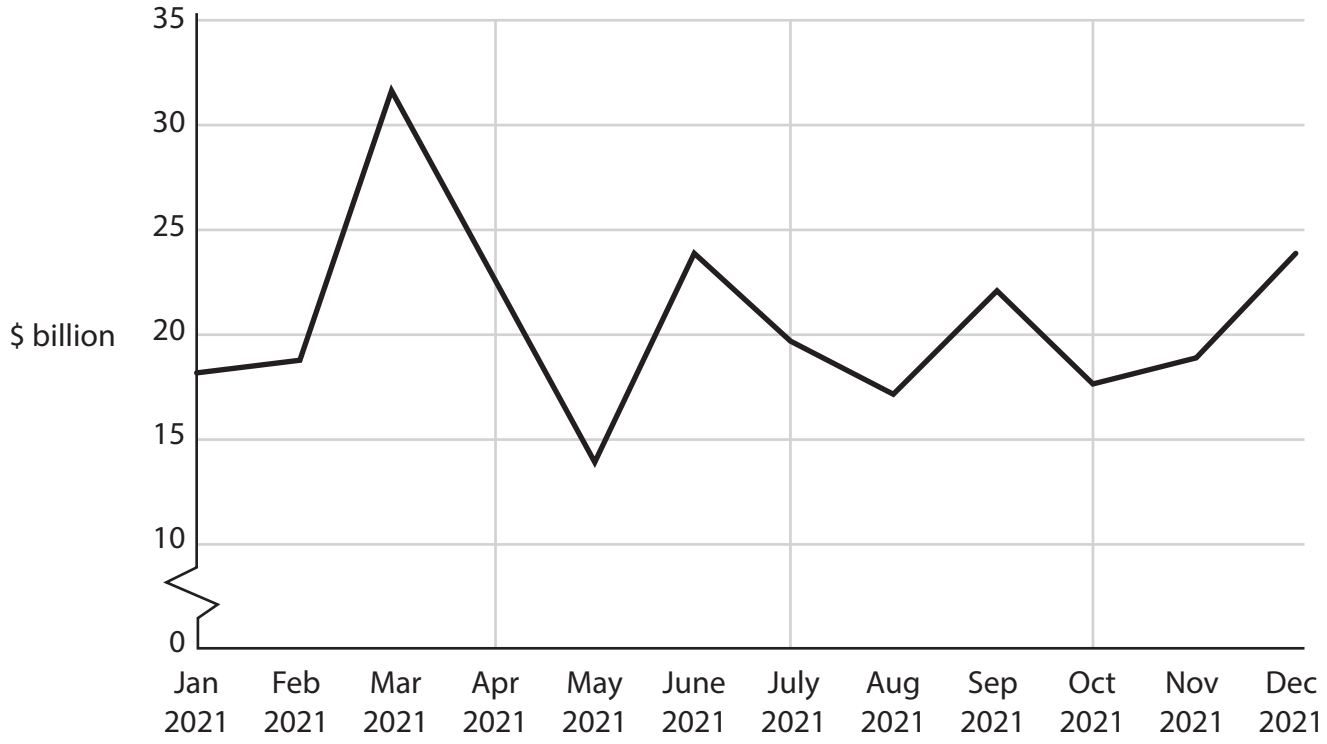
3 Between 2018 and 2019 the Lorenz curve of Peru shifted closer to the line of perfect equality.

Which **one** of the following can be inferred from this information?

- ☒ **A** The Gini coefficient for Peru had decreased
- ☒ **B** The Marshall-Lerner condition was not met
- ☒ **C** The rate of unemployment in Peru had increased
- ☒ **D** The Government of Peru had decreased progressive tax rates

(Total for Question 3 = 1 mark)

4 The chart shows Germany's net monthly balance of trade in goods and services, $ billion, January 2021 to December 2021.



(Source: adapted from https://tradingeconomics.com/germany/current-account)

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

- ☒ **A** There was a surplus in the capital and financial accounts
- ☒ **B** There was a fiscal surplus and an increase in the national debt
- ☒ **C** The value of imports was greater than the value of exports
- ☒ **D** The value of exports was greater than the value of imports

(Total for Question 4 = 1 mark)

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5 In May 2021 Canada's central bank aimed to reduce the value of the Canadian dollar against the UK pound sterling.

Which **one** of the following combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling?

	Canadian dollar	UK pound sterling
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

(Total for Question 5 = 1 mark)

6 Between 2000 and 2020 Pakistan's terms of trade decreased by 43.4%.

Ceteris paribus, which **one** of the following factors is most likely to have caused this decrease in Pakistan's terms of trade?

☒ **A** A higher rate of inflation in Pakistan relative to other countries

☒ **B** The prices of imports into Pakistan increased at a faster rate than the prices of its exports

☒ **C** An appreciation of Pakistan's exchange rate

☒ **D** The prices of Pakistan's exports increased at a faster rate than the prices of its imports

(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 and 2 and Extracts A, B and C in the Source Booklet before answering Question 7.

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

7 (a) With reference to the second and third paragraphs of Extract C, calculate the amount saved by Japanese citizens from the total cash payments made by the Japanese Government. You are advised to show your working.

(2)

(b) With reference to Figure 1 and Extract A, explain what is meant by an 'inflation target' (Extract A, line 5).

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** ways a deflationary monetary policy can 'control the rising rate of inflation'.

(6)

(d) With reference to Figure 2 and Extract B, examine **two** reasons why the demographic changes in Japan may constrain its rate of economic growth.

(8)

(e) With reference to Extract C, discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth.

(14)

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(a) With reference to the second and third paragraphs of Extract C, calculate the amount saved by Japanese citizens from the total cash payments made by the Japanese Government. You are advised to show your working.

(2)

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(b) With reference to Figure 1 and Extract A, explain what is meant by an 'inflation target' (Extract A, line 5).

(4)

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(c) With reference to Figure 1 and Extract A, analyse **two** ways a deflationary monetary policy can 'control the rising rate of inflation'.

(6)

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(d) With reference to Figure 2 and Extract B, examine **two** reasons why the demographic changes in Japan may constrain its rate of economic growth.

(8)

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(e) With reference to Extract C, discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth.

(14)

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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 In 2021 there was a significant increase in the number of joint ventures between local businesses and transnational companies in many developing countries.

Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting *economic development*.

(Total for Question 8 = 20 marks)

9 Between 1970 and 2020 growth in international trade, a key measure of globalisation, increased significantly.

Evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

10 In 2020 developed countries that were members of the Organisation for Economic Cooperation and Development (OECD) spent $238 billion on agricultural subsidies.

Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries.

(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 change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

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 change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

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 Level

Time 2 hours

Paper reference **WEC14/01**

Economics

International Advanced Level
UNIT 4: Developments in the global economy

Source Booklet

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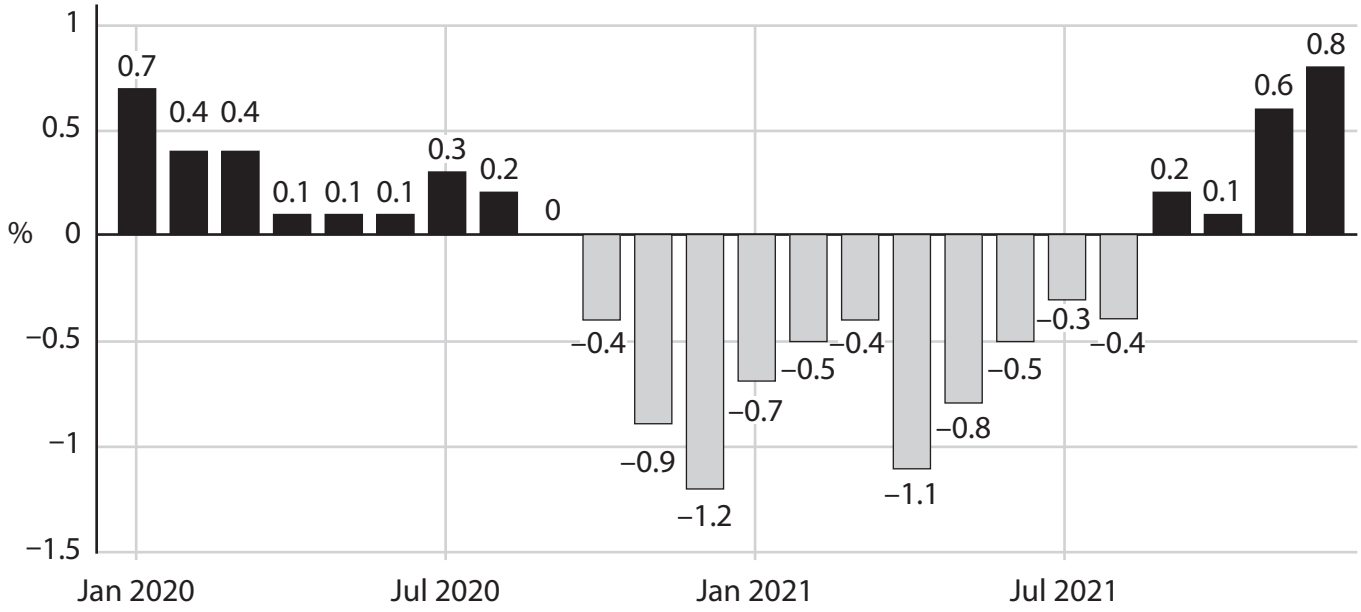
Sources for use with Section B

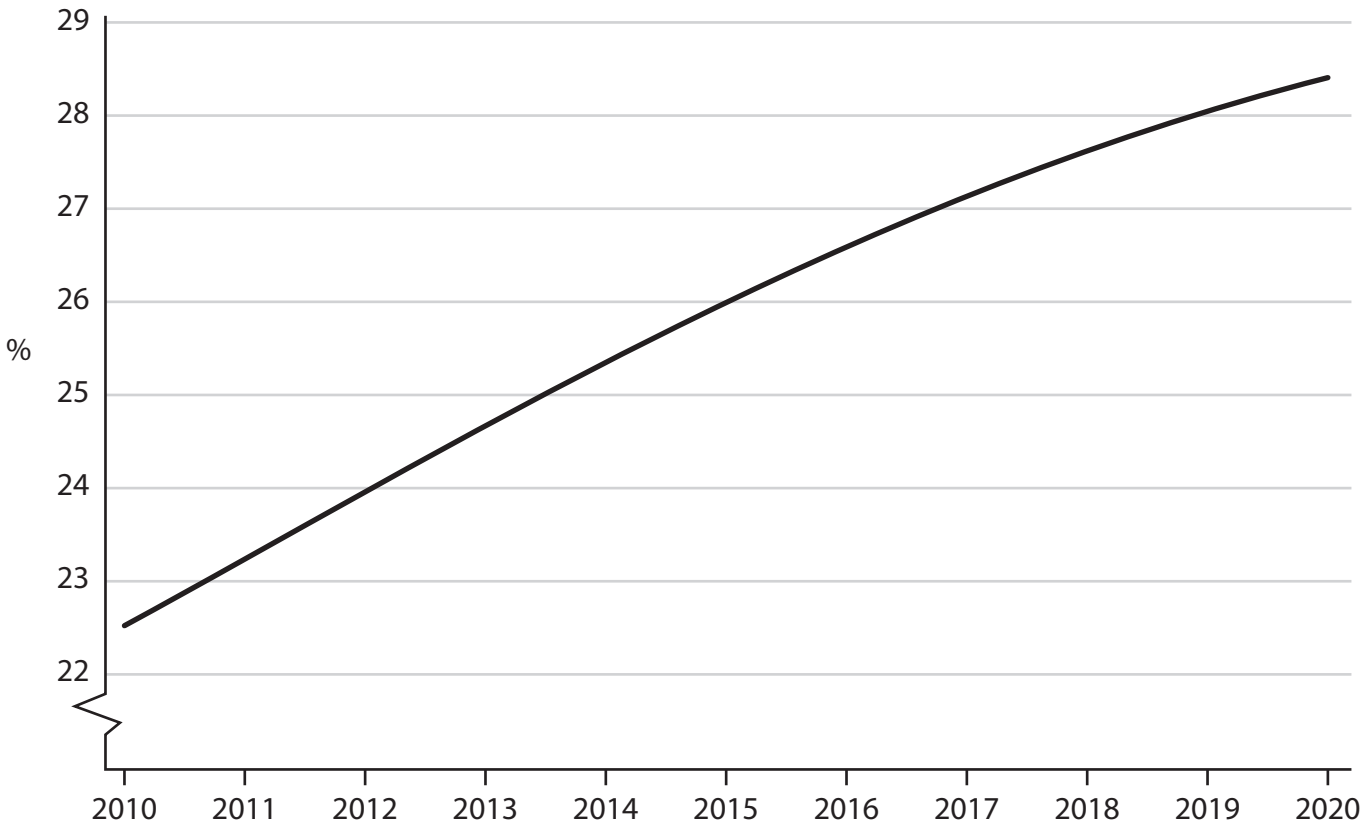
The economy of Japan

Figure 1 Inflation rate*, as measured by the Consumer Price Index (CPI), January 2020 – December 2021



* This is the year-on-year inflation rate calculated monthly

Figure 2 Percentage of the population aged 65 and over, 2010–2020



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Extract A Monetary policy

Japan's rate of inflation started to increase in October 2021. Traders speculated that the Bank of Japan (BoJ) would control the rising rate of inflation by ending quantitative easing or by increasing the base interest rate from –0.1% to 0%. However, Japan's inflation rate was below the BoJ's inflation target of 2%. It was also lower than the rates of inflation experienced in several other advanced economies. Consequently, in February 2022, the BoJ decided not to pursue a deflationary monetary policy, unlike the central banks of some other advanced economies.

Extract B Demographic changes

In 2020 Japan had a population of 125.8 million. In 2021 its population decreased by 630 000 people. Between 2022 and 2040 it is estimated that its population will decrease by a further 16 million. In 2021 the number of people under the age of 20 was at its lowest level since 1968. At the same time, the number of people over the age of 65 had increased to a record level.

There are significant concerns regarding how Japan's economy can continue to function with a smaller workforce.

Extract C Government expenditure

Between March 2020 and November 2021 Japan's Government spent $770 billion in supporting the country's economic recovery.

In early 2022 many governments of advanced economies were recovering from the global health crisis and were planning to reduce their spending. By contrast, the Japanese Government made a direct cash distribution of $872 to each household with children under the age of 18. In addition, the Government announced that cash payments would also be given to low-income households, temporary workers and students. The total cash payments made by the Japanese Government was $350 billion.

However, similar payments distributed in the past have had little effect on the level of consumption and the rate of inflation in Japan. It is unlikely that the outcome will be any different this time. It is estimated that 70% of the total cash payments received by Japanese citizens will be saved.

Some economists suggest that Japan's Government should instead focus its spending on increasing the country's long-term rate of economic growth. They believe that there should be greater investment in the labour force, healthcare and infrastructure. However, there were concerns over additional government spending because Japan's national debt was over 250% of GDP in 2021.

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Acknowledgements

Figure 1 based on data taken from tradingeconomics, https://tradingeconomics.com/japan/inflation-cpi

Figure 2 based on data taken from https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS?locations=JP

Extract A adapted from FT, https://www.ft.com/content/253df366-707b-4a45-8eb4-f245e08fa370

Extract B adapted from FT, https://www.ft.com/content/980c49e8-e90c-47a6-b892-138a3b83d646

Extract C adapted from FT, https://www.ft.com/content/52216cb9-0505-4fde-824a-58c7778d07e1