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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

Tuesday 4 June 2024

Afternoon (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.

Turn over ▶

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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 Which **one** of the following best describes the role of the World Bank?

- ☒ **A** To maintain exchange rate stability by ensuring international monetary cooperation between countries
- ☒ **B** To provide loans to countries that experience temporary current account deficits on their balance of payments
- ☒ **C** To resolve trade disputes between countries and set the rules of trade
- ☒ **D** To promote economic development through poverty reduction programmes

(Total for Question 1 = 1 mark)

---

2 The Government of Hungary operates an income tax system in which the proportion of income paid in tax by individuals remains constant as incomes increase.

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

- ☒ **A** Hungary has a progressive tax system
- ☒ **B** Hungary has a regressive tax system
- ☒ **C** Hungary has a proportional tax system
- ☒ **D** Hungary has a specific tax system

(Total for Question 2 = 1 mark)

---

3 In 2018 the UK Government introduced tariffs on imported steel. In 2022 it decided to maintain these tariffs until 2024.

Which **one** of the following is the most likely reason why the UK Government maintained these tariffs until 2024?

- ☒ **A** To increase the level of unemployment in the UK steel industry
- ☒ **B** To prevent dumping of steel in the UK from foreign countries
- ☒ **C** To protect transnational companies supplying steel to the UK
- ☒ **D** To decrease government revenue from tariffs on imported steel

(Total for Question 3 = 1 mark)

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4 In 2021 Tanzania's index of export prices was 142.3 and its index of import prices was 121.3.

Which **one** of the following was Tanzania's terms of trade in 2021?

- ☒ **A** 21.0
- ☐ **B** 85.2
- ☐ **C** 117.3
- ☐ **D** 263.6

(Total for Question 4 = 1 mark)

5 The table shows selected economic data in 2021 for Chile and Uruguay.

	Human Development Index (HDI) value	Mean years of schooling (adults over 25 years old)	Life expectancy at birth (years)	Gross National Income per capita (2017 PPP)
Chile	0.855	10.9	78.9	$24 563
Uruguay	0.809	9.0	75.4	$21 269

Which **one** of the following statements can be deduced from the data in the table?

- ☐ **A** Literacy rates must be higher in Uruguay than in Chile
- ☐ **B** Uruguay is less economically developed than Chile
- ☐ **C** Average incomes are higher in Uruguay than in Chile
- ☐ **D** Uruguay has better provision of healthcare than Chile

(Total for Question 5 = 1 mark)

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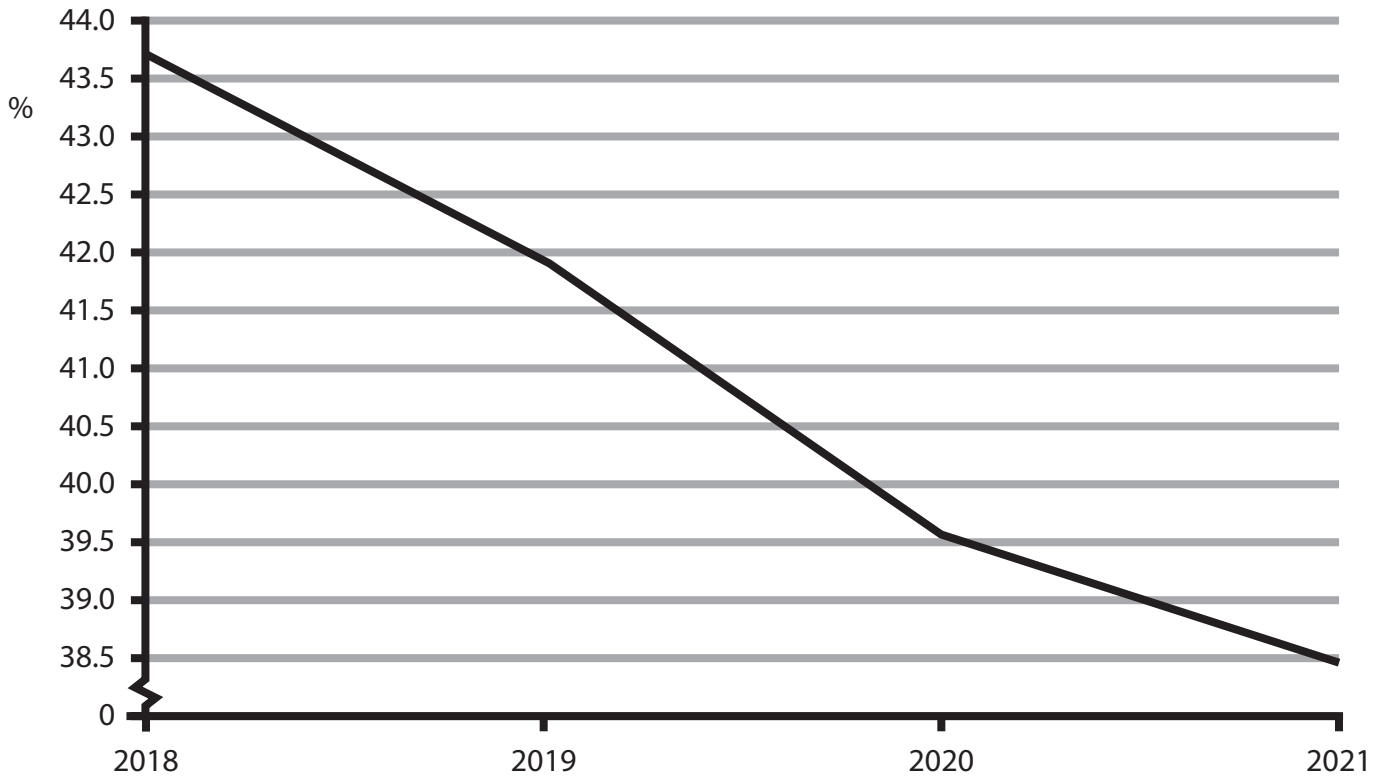
6 The chart shows the Dominican Republic's Gini coefficient, expressed as a percentage, between 2018 and 2021.



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

- ☒ **A** Between 2018 and 2021 the Lorenz curve shifted closer to the line of perfect equality
- ☒ **B** Between 2018 and 2019 the distribution of income became more unequal
- ☒ **C** Between 2019 and 2020 there was perfect income inequality
- ☒ **D** Between 2020 and 2021 income inequality increased by approximately 1.1%

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

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

7 (a) In 2022 Indonesia's current account surplus was 1% of its GDP.

With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022.
You are advised to show your working.

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

(c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy.

(6)

(d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities.

(8)

(e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth.

(14)

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You are advised to show your working.

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(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

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(c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy.

(6)

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(d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities.

(8)

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(e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its 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 2022 the value of Japan's currency, the yen, fell by 35% against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of the yen. This intervention cost the central bank $20.8 billion.

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

9 The eurozone is an economic and monetary union. Member countries of this union share a single currency, the euro. Romania is hoping to become a member of the eurozone by 2026.

Evaluate the costs to a country of becoming a member of an economic and monetary union. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

10 From 2017 to 2021 public expenditure as a proportion of GDP rose from 25.1% to 29.5% in Azerbaijan and from 12.5% to 15.9% in India.

Evaluate possible causes of an increase in public expenditure as a proportion of GDP in a developing economy of your choice.

(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 20.

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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Economics

International Advanced Level

UNIT 4: Developments in the global economy

Source Booklet

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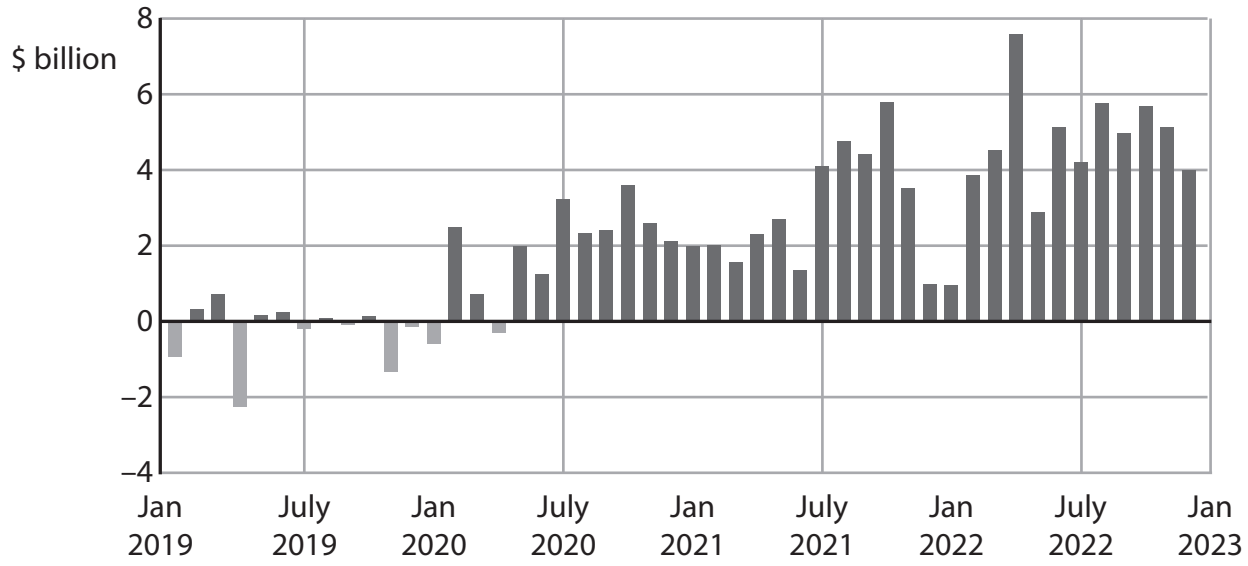
Sources for use with Section B

The Indonesian economy

Figure 1 Monthly balance of trade in goods and services, $ billion, January 2019 to December 2022



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Extract A Economic outlook

In 2022 Indonesia had a population of 276 million people. This was the largest in Southeast Asia and had increased by 26 million since 2012. In 2022 the global economy was weak and many countries experienced high rates of inflation. By contrast, Indonesia's economy performed better than several advanced economies. The country's real GDP increased by 5.3%. This was above the forecast rate of economic growth. Its annual rate of inflation of 4.6% was one of the lowest globally. However, this was before the Government removed subsidies on oil and fuel. Indonesia is a net importer of oil.

During 2022 Indonesia's currency, the *rupiah*, had the best-performing floating exchange rate to the US dollar in Asia. The *rupiah* depreciated less than the currencies of Vietnam and China, its main trading partners.

Indonesia is a resource-rich country and it is a net exporter of commodities such as nickel, coal, rubber and palm oil. In 2022 the country benefited from rising global commodity prices. It is the world's largest producer of nickel, an important component in electric vehicle batteries.

To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation and promote foreign direct investment (FDI).

Exports from the manufacturing sector increased during 2022. These included electronics, machinery, textiles and garments. The Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI, as many foreign producers shifted manufacturing away from China.

In 2022 Indonesia's exports of commodities made a more significant contribution to the country's current account surplus and to its economic growth rate than its exports of manufactured goods. The country's current account surplus increased from $3.5 billion in 2021 to $13.2 billion in 2022. It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities.

In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5% partly as a result of the removal of fuel subsidies. The country's central bank could respond to the rising rate of inflation by increasing its base rate of interest.

There are concerns about the level of corruption in the country. Indonesia scored 38 out of 100 on the corruption index – the lower the score, the greater the level of corruption. This is the same score as Brazil but lower than that of Vietnam and China. This indicates that Indonesia has relatively more corruption than Vietnam and China.

To remain internationally competitive, many economists have recommended that Indonesia should diversify away from its dependence on commodities. They have suggested that the Government must aim to develop the country's human capital and infrastructure, in order to improve the labour mobility of its relatively young population.

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Acknowledgements

Figure 1 adapted from: Trading Economics, https://tradingeconomics.com/indonesia/balance-of-trade

Extract A adapted from: FT, https://www.ft.com/content/f179df5b-1dc7-46f4-88dc-97ddfe1d2fe4