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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

Thursday 30 October 2025

Morning (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 International Monetary Fund?

- ☒ **A** To resolve trade disputes between countries and set the rules of trade
- ☒ **B** To provide loans to countries that experience temporary current account deficits on their balance of payments
- ☒ **C** To promote community-based development programmes to support economic growth and development
- ☒ **D** To promote economic development through poverty reduction programmes

(Total for Question 1 = 1 mark)

2 In 2023 Latvia's international competitiveness ranking was 16 places lower than it was in 2022.

Which **one** of the following is likely to increase Latvia's international competitiveness?

- ☒ **A** Privatisation of state-owned enterprises
- ☒ **B** An increase in unit labour costs
- ☒ **C** Less spending on healthcare services
- ☒ **D** Stricter regulation of product markets

(Total for Question 2 = 1 mark)

3 Between June 2022 and June 2023 global container shipping costs fell by 61%.

Ceteris paribus, which **one** of the following is most likely to result from this decrease in global container shipping costs?

- ☒ **A** Trade as a proportion of world GDP will rise
- ☒ **B** Costs of production for businesses will rise
- ☒ **C** Global inflationary pressures will not change
- ☒ **D** Patterns of world trade will not change

(Total for Question 3 = 1 mark)

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4 In 2024 the value of Nigeria's currency, the naira, depreciated significantly against the US dollar.

Which **one** of the following combinations of foreign currency transactions would Nigeria's central bank use if it wanted to raise the value of the naira against the US dollar?

	Nigerian naira	US dollar
☒ **A**	Sell	Sell
☒ **B**	Sell	Buy
☒ **C**	Buy	Sell
☒ **D**	Buy	Buy

(Total for Question 4 = 1 mark)

5 Between 2022 and 2023 Finland recorded an increase in the capital and financial account deficit of its balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in Finland's capital and financial account deficit?

☒ **A** An increase in public sector borrowing and an increase in public sector debt

☒ **B** An increase in outflows from the primary income component of Finland's balance of payments

☒ **C** A decrease in inward foreign direct investment (FDI) and portfolio investment

☒ **D** A decrease in the value to the EU and an increase in the value of imports from the EU

(Total for Question 5 = 1 mark)

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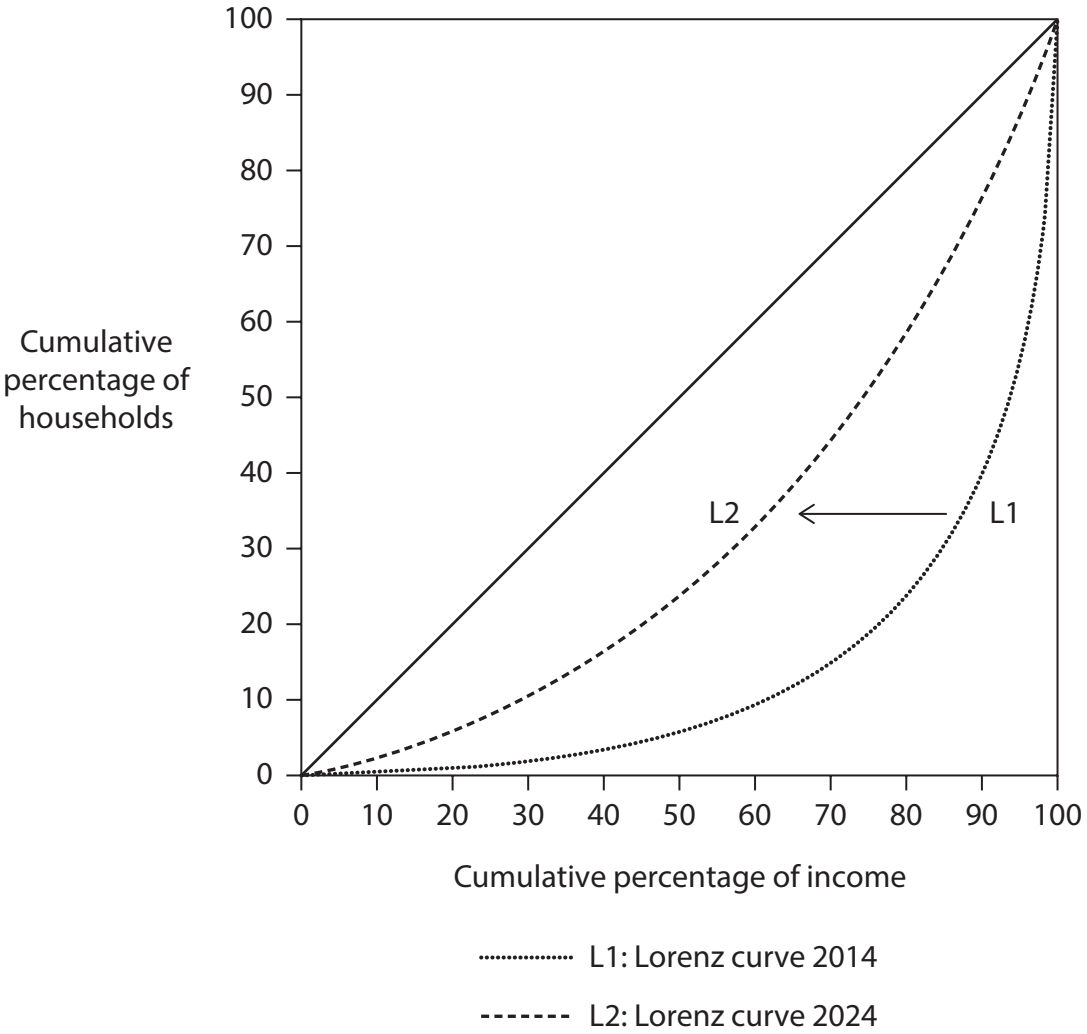
6 The diagram illustrates the Lorenz curves for an economy in 2014 and 2024.



Ceteris paribus, which **one** of the following is most likely to have caused the shift in the Lorenz curve from L1 to L2?

- ☒ **A** A decrease in public expenditure on healthcare
- ☒ **B** A decrease in spending on training for unskilled workers
- ☒ **C** An increase in the rate of unemployment
- ☒ **D** An increase in public expenditure on transfer payments

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 7.

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

7 (a) With reference to Figure 1, calculate the change in India's real GDP growth rate between 2020 and 2021. You are advised to show your working.

(2)

(b) With reference to Figure 2, explain what is meant by 'rate of inflation'.

(4)

(c) With reference to Extract A, examine **two** external shocks that could constrain India's rate of economic growth in 2025.

(8)

(d) With reference to the last paragraph of Extract B, analyse **two** likely effects of a decrease in the base interest rate on the Indian economy.

(6)

(e) With reference to the information provided, discuss the supply-side policies that the Government of India plans to introduce to increase the country's rate of economic growth **and** economic development.

(14)

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(a) With reference to Figure 1, calculate the change in India's real GDP growth rate between 2020 and 2021. You are advised to show your working.

(2)

(b) With reference to Figure 2, explain what is meant by 'rate of inflation'.

(4)

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(c) With reference to Extract A, examine **two** external shocks that could constrain India's rate of economic growth in 2025.

(8)

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(d) With reference to the last paragraph of Extract B, analyse **two** likely effects of a decrease in the base interest rate on the Indian economy.

(6)

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(e) With reference to the information provided, discuss the supply-side policies that the Government of India plans to introduce to increase the country's rate of economic growth **and** economic development.

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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 2023 New Zealand's deficit on the current account of the balance of payments was $27.8 billion. In the same year, Canada's deficit on the current account of the balance of payments was $17.8 billion.

Evaluate the possible causes of a current account deficit. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

9 In 2024 there were 10 new joint ventures between local South Korean businesses and transnational companies.

Evaluate the likely benefits to a country of joint ventures between local businesses and transnational companies as a means of promoting *economic development*. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

10 In 2024 the Government of Guinea decreased the top rate of income tax from 40% to 35%.

Evaluate the likely macroeconomic effects of a decrease in the top rate of income tax on a developing country 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 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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Economics

International Advanced Level

UNIT 4: Developments in the global economy

Source Booklet

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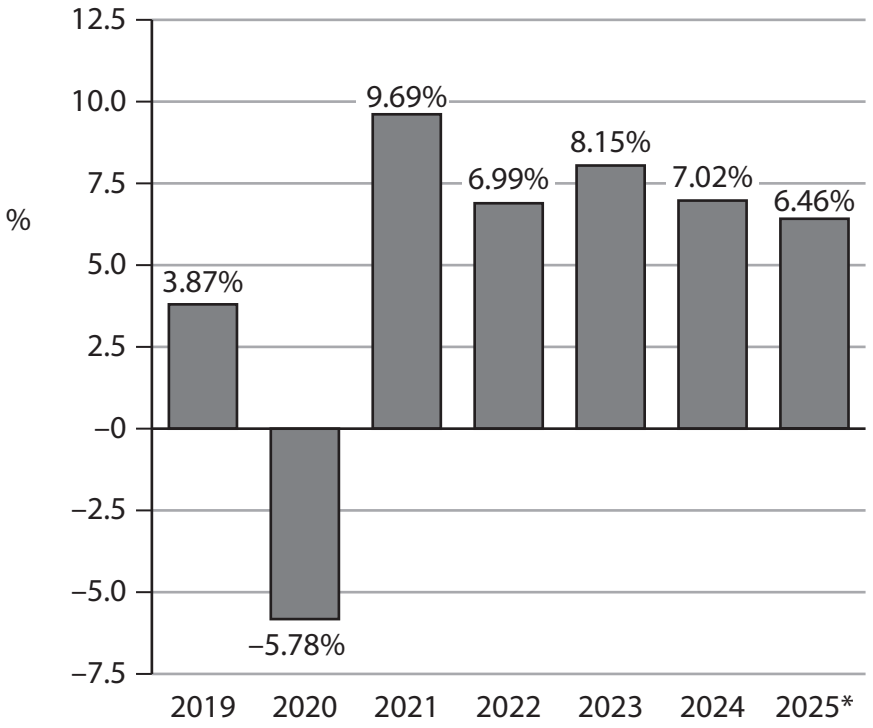
Sources for use with Section B

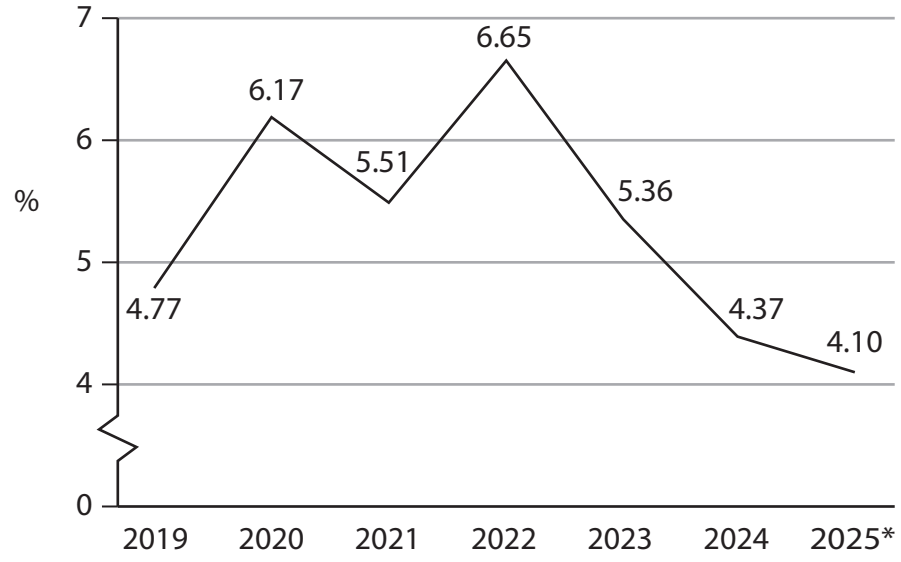
The Indian economy

Figure 1 Real Gross Domestic Product (GDP) growth rate, %, 2019–2025*



*denotes forecast

Figure 2 Annual rate of inflation, as measured by consumer price index (CPI), 2019 to 2025*



*denotes forecast

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Extract A External shocks in the global economy

According to India's central bank, external shocks were the most significant constraints to the country's rate of economic growth in 2025. These external shocks included the threat of protectionism by the USA, rising commodity prices and supply chain shocks. If the USA imposes high tariffs on goods produced in India it would negatively impact India's export industries, especially IT and pharmaceuticals. Rising commodity prices would also increase the country's rate of inflation. This is because India is a net importer of commodities. Supply chain shocks include frequent natural disasters, such as cyclones and flooding, and transport disruptions arising from poor road and rail infrastructure.

However, the central bank suggested that the country was 'well placed' to respond to external shocks in the global economy. India's foreign exchange reserves amounted to $676 billion and the country had the fastest rate of growth of any major economy.

Extract B Economic growth and economic development

In October 2024 the Government of India announced plans to introduce supply-side policies to increase India's rate of economic growth and economic development. It promised to improve the skills of its young workforce, encourage greater innovation and increase investment in infrastructure.

The Government also aims to cut the high costs of bureaucracy for businesses. This will simplify the process of obtaining finance for domestic businesses and transnational companies. It will also make it easier to set up and close a business. The Government hopes that the reduction in costs of bureaucracy will result in an increase in investment, including foreign direct investment.

To ensure that it can fulfil its promise, the Government set aside a capital expenditure budget of Rs 15 trillion for 2025. This is expected to be 3.4% of India's GDP. This budget is twice as much as it was in 2014.

These supply-side policies are likely to improve economic development by raising per capita incomes. Between 2025 and 2030, economists forecast that per capita incomes will increase by $2 000.

In January 2025 the base rate of interest in India was 6.5%. The central bank reduced the rate to 6.25% in February 2025 and to 6% in April 2025. India's central bank has a target rate of inflation of between 4% to 6%.

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Acknowledgements

Figure 1 adapted from: Statista, https://www.statista.com/statistics/263617/gross-domestic-product-gdp-growth-rate-in-india/

Figure 2 adapted from: https://www.statista.com/statistics/271322/inflation-rate-in-india/

Extract A adapted from: FT, https://www.ft.com/content/1afb3d71-53a5-4c4a-88af-ffa484cc1d6b

Extract B adapted from: Deccan Herald, https://www.deccanherald.com/business/govt-committed-to-carrying-out-structural-reforms-modi-3220219;