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**Pearson Edexcel International Advanced Level**

**Tuesday 13 June 2023**

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 suggests that *primary product dependency* is a constraint on growth and development?

- ☐ A The Prebisch–Singer hypothesis
- ☐ B The Marshall–Lerner condition
- ☐ C The Lewis structural dual-sector model
- ☐ D The Harrod–Domar model

(Total for Question 1 = 1 mark)

- 2 In 2022 the Australian Government announced that it would invest nearly \$13.6 billion in major infrastructure projects.

This change in public expenditure is an example of an increase in which **one** of the following?

- ☐ A Transfer payments
- ☐ B Automatic stabilisers
- ☐ C Current expenditure
- ☐ D Capital expenditure

(Total for Question 2 = 1 mark)

- 3 In 2022 South Korea's international competitiveness ranking was four places lower than it was in 2021.

Which **one** of the following measures is most likely to increase South Korea's international competitiveness?

- ☐ A Stricter regulation of product markets
- ☐ B Privatisation of state-owned enterprises
- ☐ C Greater restrictions on free trade
- ☐ D Less spending on education and training

(Total for Question 3 = 1 mark)

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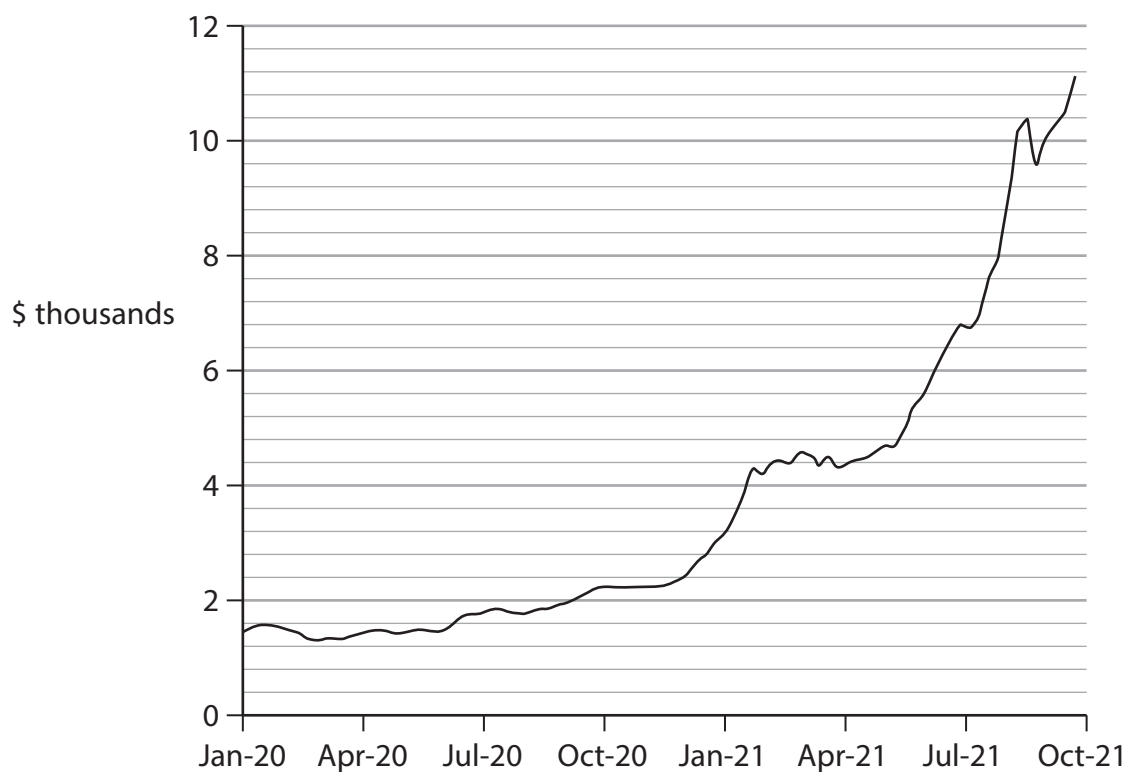
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- 4 The chart shows average global container shipping costs, in \$ thousands, between January 2020 and October 2021.



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

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

(Total for Question 4 = 1 mark)



- 5 The table shows the maximum production possibilities for Country M and for Country Z in a given year using all available resources.

Country	Televisions		Computers
M	24 000	OR	24 000
Z	60 000	OR	60 000

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

- ☐ **A** Country M and Country Z will both benefit from specialisation and trade
- ☐ **B** There are zero opportunity costs for both countries in producing televisions or computers
- ☐ **C** Country Z has an absolute advantage over Country M in the production of televisions and computers
- ☐ **D** Country M has a comparative advantage over Country Z in the production of televisions and computers

(Total for Question 5 = 1 mark)

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- 6 In July 2022 the Central Bank of India aimed to increase the value of the Indian rupee against the US dollar.

Which **one** of the following combinations of foreign currency transactions would the Central Bank of India use to increase the value of the rupee against the US dollar?

		Rupee	Dollar
<input type="checkbox"/>	A	Buy	Buy
<input type="checkbox"/>	B	Sell	Buy
<input type="checkbox"/>	C	Buy	Sell
<input type="checkbox"/>	D	Sell	Sell

(Total for Question 6 = 1 mark)

**TOTAL FOR SECTION A = 6 MARKS**



## 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) With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working. (2)
- (b) Explain what is meant by 'interest rates' (Extract A, line 4). (4)
- (c) With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries. (8)
- (d) Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22). (6)
- (e) With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in the *terms of trade* of Southeast Asian countries. (14)

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- (a) With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working.

(2)

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(b) Explain what is meant by 'interest rates' (Extract A, line 4).

(4)

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- (c) With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries.

(8)



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(d) Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22).

(6)

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- (e) With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in *the terms of trade* of Southeast Asian countries.

(14)

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(Total for Question 7 = 34 marks)

**TOTAL FOR SECTION B = 34 MARKS**



## SECTION C

**Answer TWO questions from this section.**

- 8** Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.

Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer.

**(Total for Question 8 = 20 marks)**

- 9** In 2020 the International Monetary Fund (IMF) provided financial assistance of \$13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of \$43 billion to low-income developing countries.

Evaluate the role of international institutions in promoting *economic development*. Refer to examples of developing countries in your answer.

**(Total for Question 9 = 20 marks)**

- 10** Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia.

Evaluate possible causes of an increase in income inequality within a 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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**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 ☒.**

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**TOTAL FOR SECTION C = 40 MARKS**  
**TOTAL FOR PAPER = 80 MARKS**



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**Pearson Edexcel International Advanced Level****Tuesday 13 June 2023**

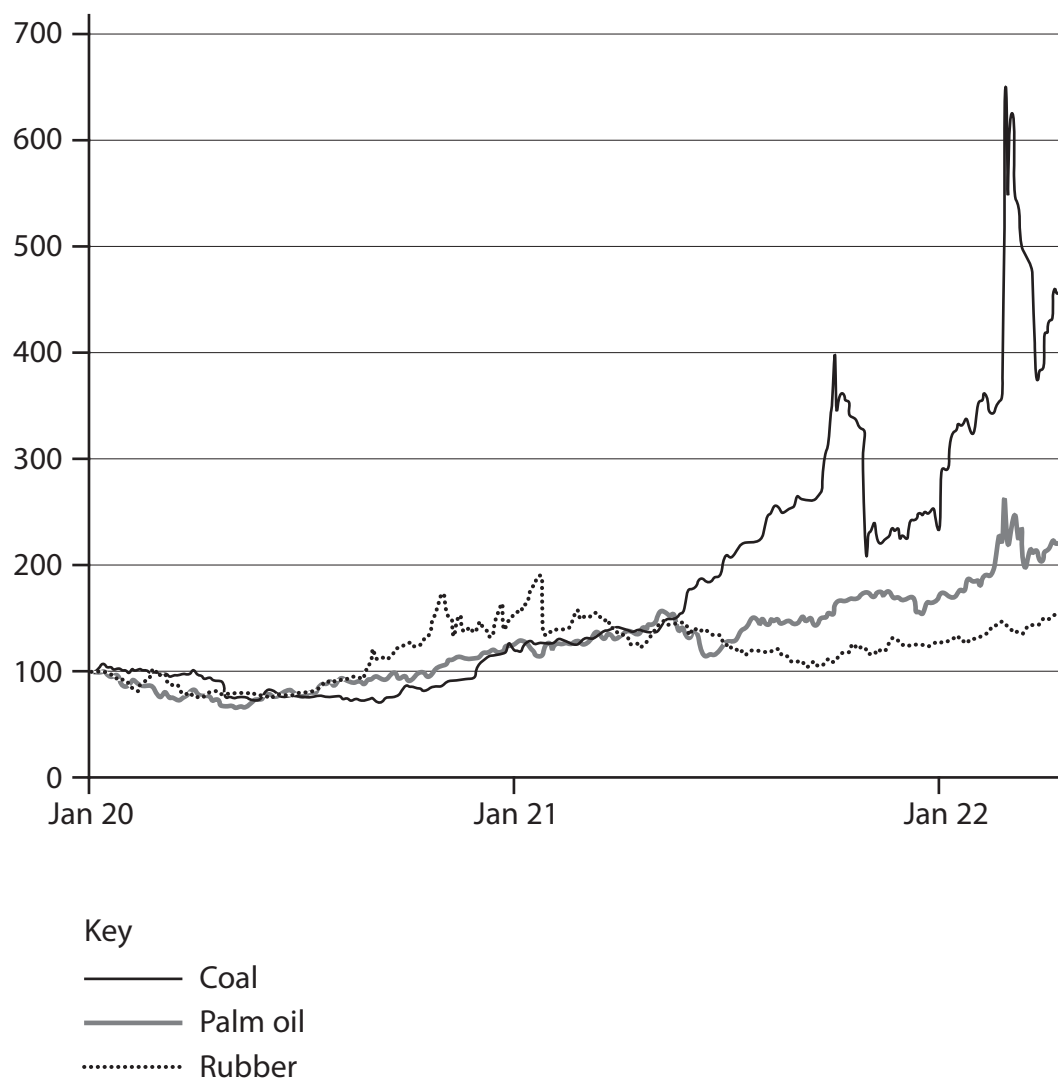
Afternoon (Time: 2 hours)

Paper  
reference**WEC14/01****Economics****International Advanced Level****UNIT 4: Developments in the global economy****Source Booklet****Do not return this Booklet with the question paper.***Turn over* ►**P72053A**©2023 Pearson Education Ltd.  
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## Sources for use with Section B

## Southeast Asian economies

**Figure 1 Index of global prices for selected commodities, January 2020 to April 2022 (January 2020=100)**



## Extract A Economic outlook 2022

Economies around the world are facing the threat of stagflation: a period of high inflation and low economic growth. This is a result of increasing global prices for fuel, food and other commodities. Many central banks have raised base interest rates in response to this inflationary pressure. For example, the European Central Bank increased its base interest rate from 0% to 1.25% between January and September 2022. 5

However, Southeast Asia is one region that is likely to avoid stagflation. Southeast Asia is a region situated south of mainland China. It comprises 11 countries that include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In countries such as Indonesia, Vietnam and Malaysia, the rate of increase in Gross Domestic Product (GDP) is higher than the rate of inflation. This increase in economic growth rates is partly as a result of an increase in the number of tourists visiting these countries. Each of these Governments have relaxed border controls that were introduced during the global health crisis. For example, between February 2022 and May 2022 the number of tourists increased by 1 050% in Indonesia and by 8 629% in Vietnam. 10 15

The majority of Southeast Asian countries are experiencing a steady growth in their exports. The rising prices of fuel, food and other commodities have benefited countries that export them in large quantities, for example, coal (Indonesia), rubber (Malaysia), and palm oil (Indonesia and Malaysia). These countries have experienced an improvement in their terms of trade. 20

By contrast, in Thailand and Singapore, the rate of inflation is rising faster than the GDP growth rate. Both countries are experiencing low rates of economic growth. In Thailand, inflation is reducing real incomes. In Singapore, the economic growth rate is low because of the slowdown in China's economy. China is Singapore's main trading partner.

Some countries in the region are highly exposed to external shocks in the global economy. For example, the Philippines relies on imports of rice and overall it is a net importer of food and fuel. 25

In Malaysia and Indonesia maximum prices have been imposed on certain commodities. This has helped to control the rising rate of inflation. Governments in other parts of the region are also considering the implementation of price controls. The President of the Philippines promised to decrease the price of rice by imposing a maximum price. 30





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**Acknowledgements**

Figure 1 and Extract A adapted from FT, <https://www.ft.com/content/d1d5f596-d8af-4fcf-a01a-25b9fec8e245>

