

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Tuesday 2 June 2020

Morning (Time: 2 hours)

Paper Reference **WEC04/01**

Economics

International Advanced Level

Unit 4: Developments in the Global Economy

You do not need any other materials.

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 **one** question from Section A and **one** question from Section B.
- 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.*
- You should take care in your responses with your punctuation and grammar, as well as the clarity of expression.
- 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 ONE question from this section.

You should spend 60 minutes on this section.

You should include diagrams in your responses where appropriate.

- 1 The share of GDP accounted for by the manufacturing sector is much higher in Germany and South Korea than in Monaco and Hong Kong.
- (a) Discuss the possible benefits of specialisation to a country of your choice. (15)

In 2017 the rate of economic growth was 7.3% in both Romania and Bangladesh.

- (b) Evaluate the likely impact of rapid economic growth in emerging and developing economies on world trade patterns. (25)

(Total for Question 1 = 40 marks)

- 2 In 2017 Egypt and Afghanistan both received over \$5 billion of development aid.
- (a) Assess the case for promoting *economic development* through aid. Refer to examples of developing countries in your answer. (15)
- (b) Evaluate market orientated strategies that might enable developing countries to increase their *rates of economic growth*. (25)

(Total for Question 2 = 40 marks)

- 3 In July 2018 Pakistan borrowed \$2 billion from China to finance its current account deficit. This resulted in a 4.6% appreciation of Pakistan's currency, the rupee, against the US dollar.
- (a) Assess possible causes, other than changes in the exchange rate, of a deficit on the current account of the balance of payments. (15)
- (b) Evaluate the economic effects of an appreciation in a country's currency. (25)

(Total for Question 3 = 40 marks)

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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 ☒.

Chosen question number: **Question 1** **Question 2** **Question 3**

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TOTAL FOR SECTION A = 40 MARKS



SECTION B

Answer EITHER Question 4 OR Question 5.

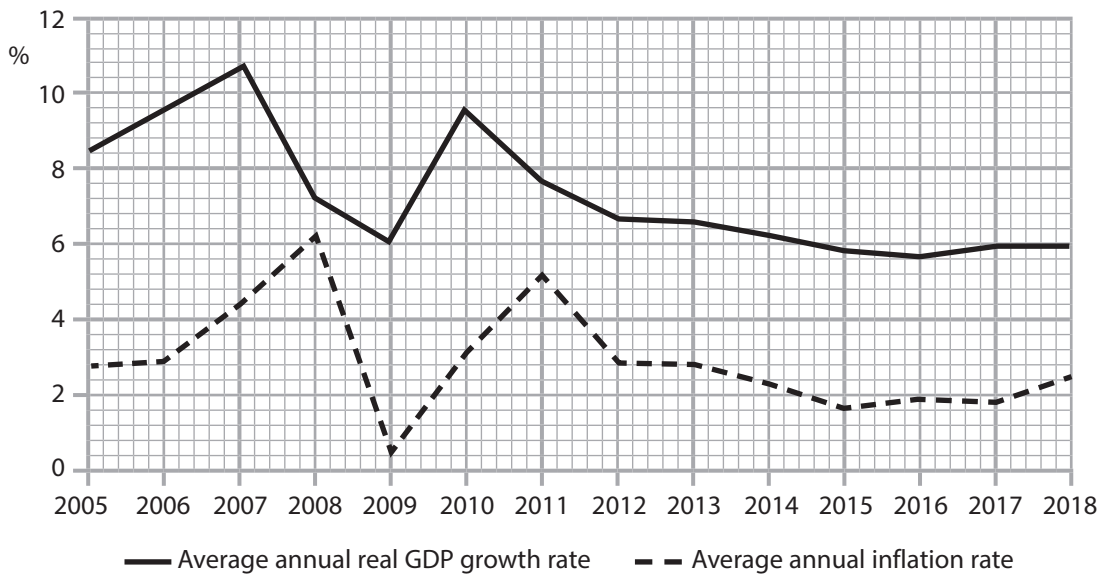
You should spend 60 minutes on this section.

If you answer Question 4 put a cross in this box .

Question 5 starts on page 28.

4 East Asia economies

Figure 1 Average annual real GDP growth rate (%) and average annual inflation rate (%), 2005–2018



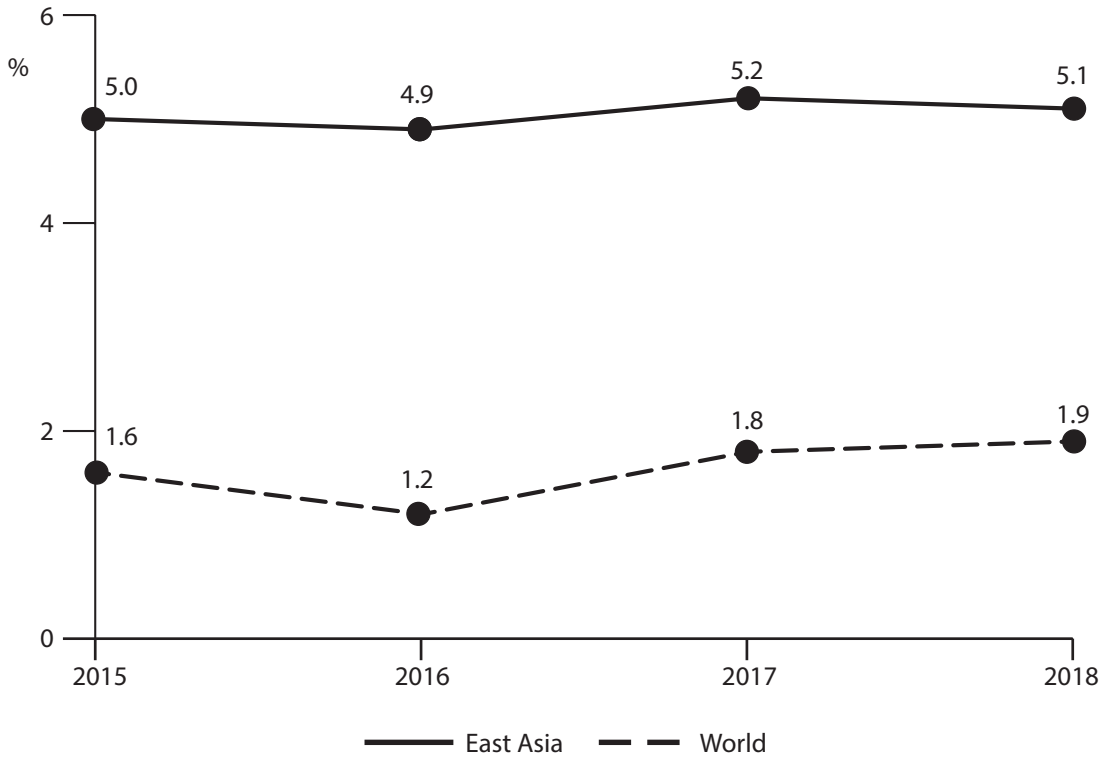
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Figure 2 Average annual real GDP growth rate per capita (%), 2015–2018



(Source for Figure 1 and Figure 2 adapted from: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018_Full_Web-1.pdf)

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Extract 1 Economic outlook

Since 2005 there has been rapid economic growth in East Asia, a region of the world which includes China, Indonesia, Malaysia, Vietnam, South Korea and Singapore. One factor that has contributed to the region's economic growth is an increase in private consumption. This has been supported by real wage growth and rising disposable incomes. Household spending in the region is expected to stay high in the medium-term. 5

Economic growth has also been driven by an increase in exports. This is mainly as a result of rising demand for electrical and electronic goods from developed countries. Consequently private sector investment in these sectors has continued to increase. 10

Despite strong economic growth, inflationary pressures are estimated to remain low across most of East Asia. This is as a result of falling food prices and a continued slow growth in global oil prices.

As inflationary pressures are low, monetary policy continues to be expansionary. Some countries in the region have reduced their base interest rates to encourage bank lending in order to increase economic growth rates. However, there is limited scope for further cuts in interest rates. Moreover, as developed countries start to increase their base interest rates, central banks in East Asia are faced with the potential risk of managing large capital outflows. 15

Within the region high corporate and household debt, encouraged by low interest rates, will continue to reduce investment prospects. In most countries debt is high relative to the level of GDP per capita. This has raised concerns about the financial stability of the region. 20

Fiscal policy in East Asian economies is therefore expected to play a more important role in supporting domestic demand. In late 2017, several countries announced fiscal measures to increase their rates of economic growth. 25

Looking ahead, East Asia faces considerable risks to its growth prospects. This is because of greater uncertainty in the external environment. In particular, significant increases in trade protectionism by the USA might reduce demand for products manufactured in the region. 30

(Sources adapted from: 'World Economic Situation and Prospects 2018', United Nations, https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESP2018_Full_Web-1.pdf)



Extract 2 Supply-side policies

Given the current favourable macroeconomic environment, governments should implement supply-side policies aimed at improving productivity. These include improving infrastructure, increasing the skills of the workforce and providing incentives to invest in research and development for innovation.

5

(Sources adapted from: The World Bank, <http://www.worldbank.org/en/news/press-release/2018/04/12/growth-prospects-for-developing-east-asia-and-pacific-remain-strong-but-risks-need-attention-world-bank-says>)

- (a) With reference to Figure 2, explain what is meant by *real GDP growth rate per capita*. (4)
- (b) With reference to Figure 1 and Extract 1, evaluate factors that have contributed to rapid economic growth in East Asia. (16)
- (c) With reference to Extract 1 and your own knowledge, analyse the effects of **two** trade protectionist measures that could be implemented by the USA. (8)
- (d) With reference to Extract 2, to what extent might supply-side policies be successful in increasing productivity in East Asian economies? (12)



(a) With reference to Figure 2, explain what is meant by *real GDP growth rate per capita*.

(4)

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(b) With reference to Figure 1 and Extract 1, evaluate factors that have contributed to rapid economic growth in East Asia.

(16)

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(c) With reference to Extract 1 and your own knowledge, analyse the effects of **two** trade protectionist measures that could be implemented by the USA.

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(d) With reference to Extract 2, to what extent might supply-side policies be successful in increasing productivity in East Asian economies?

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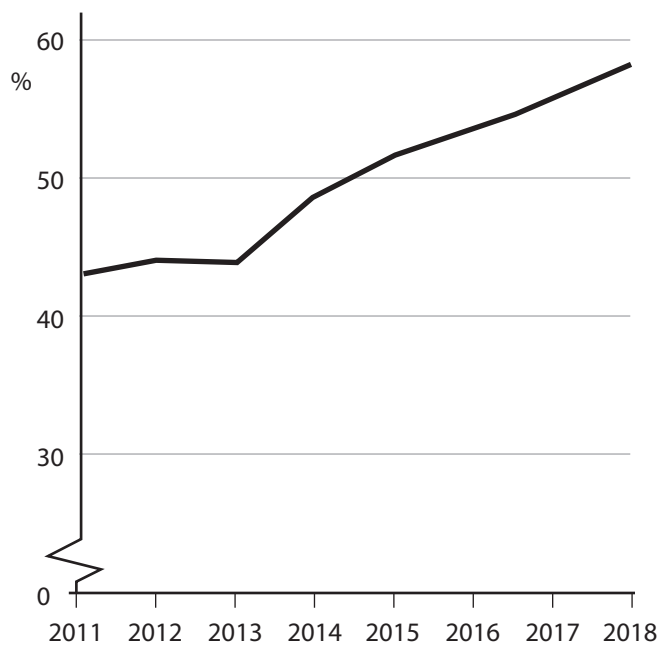
If you answer Question 5 put a cross in this box .

5 Kenya's economy

Figure 1 Annual % change in private sector lending, 2011–2018



Figure 2 Public sector debt as a % of GDP, 2011–2018



(Source for Figure 1 and Figure 2 adapted from: FT, <https://www.ft.com/content/1ccf8fd4-658d-11e8-bdd1-cc0534df682c>)

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Extract 1 Provision of credit

In 2018 Kenya's President, Mr Kenyatta, outlined his plan to stimulate the economy. By 2022 he wants to ensure that every Kenyan has access to affordable food and housing and free healthcare. His policies involve combined efforts between the Government and the private sector. Analysts claim that the President's plan will be successful if there is an increase in the provision of credit. This will increase private sector investment. 5

Increased lending is important for investment in the agricultural sector. 70% of Kenyans are employed in agriculture but only 2% of bank lending goes to farmers. Another problem is that 98% of agricultural products are sold in the informal sector. 10

In 2014 the proportion of the population with access to free healthcare was only 16%. The Government intends to offer free healthcare in four of Kenya's 47 regions in the first year of its plan. It then intends to offer free healthcare to all citizens in all regions.

Improving access to finance for property developers and households could increase the number of houses being built. This would stimulate economic growth and employment. This is because of the "housing multiplier effect" as money spent directly on a house also results in various indirect benefits to the economy. However, the Government's target of building 200 000 homes annually is unlikely to be met. Builders find it difficult to access land and apply for housing loans. They also face problems of poor infrastructure that prevent them from investing in the development of new homes. 15
20

(Sources adapted from: 'Kenya's president eyes legacy with Big Four plan for economy', FT, www.ft.com/content/1ccf8fd4-658d-11e8-bdd1-cc0534df682c; 'Kenya Needs 2 Million More Low-income Homes: Building Them Would Boost Its Economic Growth', World Bank, www.worldbank.org/en/country/kenya/publication/kenya-needs-2-million-more-low-income-homes-building-them-would-boost-its-economic-growth)



Extract 2 Tourism

In 2017 tourists spent \$1.2 billion in Kenya contributing 9.7% to Kenya's GDP. Between 2016 and 2017 expenditure by tourists grew by 3.5%. However, these figures underestimate the wider benefits. Tourism helped to create employment, directly or indirectly, for nearly 1.1 million people.

5

Increased tourism comes after several difficult years. The number of tourists fell sharply in 2014 after an Ebola disease outbreak in West Africa. This was despite the fact that the countries concerned, including Liberia and Sierra Leone, are closer to the UK than to Kenya. The fall in tourist numbers was also made worse by conflicts and civil wars in the region.

10

The Government department responsible for tourism has focused on improving the country's wildlife safari parks. Kenya has over 50 national parks and nature reserves. It also benefits from excellent tourist accommodation facilities and a highly efficient internal flight network. Kenya Airways is continuing to expand and, in October 2018, it introduced direct flights to the USA.

15

(Sources adapted from: 'Hospitality trade thrives on Kenya's plains, if not at the coast', FT, <https://www.ft.com/content/5f6e6dbc-658b-11e8-bdd1-cc0534df682c>)

- (a) With reference to Extract 1, explain what is meant by *investment*. (4)
- (b) To what extent might the Kenyan President's 'plan to stimulate the economy' (Extract 1, line 2) through increased investment in agriculture, healthcare and housing improve standards of living? (12)
- (c) With reference to Figure 2, analyse **two** reasons why an increase in Kenya's public sector debt as a percentage of GDP might be a cause for concern. (8)
- (d) With reference to Extract 2, evaluate the potential benefits to the Kenyan economy of an increase in tourism. (16)



(a) With reference to Extract 1, explain what is meant by *investment*.

(4)

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(b) To what extent might the Kenyan President's 'plan to stimulate the economy' (Extract 1, line 2) through increased investment in agriculture, healthcare and housing improve standards of living?

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(c) With reference to Figure 2, analyse **two** reasons why an increase in Kenya's public sector debt as a percentage of GDP might be a cause for concern.

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(d) With reference to Extract 2, evaluate the potential benefits to the Kenyan economy of an increase in tourism.

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TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

