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Pearson Edexcel International Advanced Level

Wednesday 30 October 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** Between 2018 and 2022 New Zealand's national debt increased from \$53.6 billion to \$126.7 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

- ☐ **A** An increase in crowding out
- ☐ **B** An increase in absolute advantage
- ☐ **C** A decrease in debt servicing costs
- ☐ **D** A decrease in the rate of inflation

(Total for Question 1 = 1 mark)

- 2** In 2023 the Government of Ghana removed fuel subsidies paid to fuel producers.

This is an example of which **one** of the following?

- ☐ **A** An interventionist strategy to promote economic growth and development
- ☐ **B** A reflationary fiscal policy to reduce inflationary pressures
- ☐ **C** A deflationary monetary policy to reduce inflationary pressures
- ☐ **D** A market-orientated strategy to promote economic growth and development

(Total for Question 2 = 1 mark)

- 3** In 2022 there was an overall deficit of \$943.8 billion on the USA's balance of trade.

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

- ☐ **A** The value of consumption was lower than the value of saving
- ☐ **B** Government spending was greater than tax revenue
- ☐ **C** The value of imports was greater than the value of exports
- ☐ **D** Gross domestic investment was lower than capital flight

(Total for Question 3 = 1 mark)



- 4 The table shows the maximum production possibilities for Country X and for Country Y using all available resources.

Country	Watches		Batteries
X	26 000	OR	13 000
Y	12 000	OR	12 000

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

- ☐ A Country X has a lower opportunity cost in the production of watches whereas Country Y has a lower opportunity cost in the production of batteries
- ☐ B Country Y has an absolute advantage over Country X in the production of watches and batteries
- ☐ C Country X has a comparative advantage over Country Y in the production of watches and batteries
- ☐ D Neither country will benefit from specialisation and trade

(Total for Question 4 = 1 mark)

- 5 In 2022 there were 10 million non-government organisations (NGOs) worldwide.

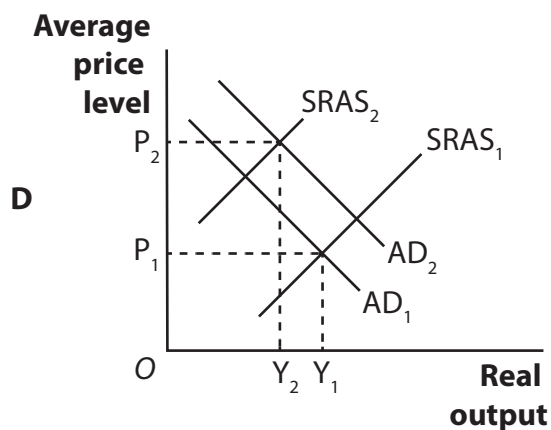
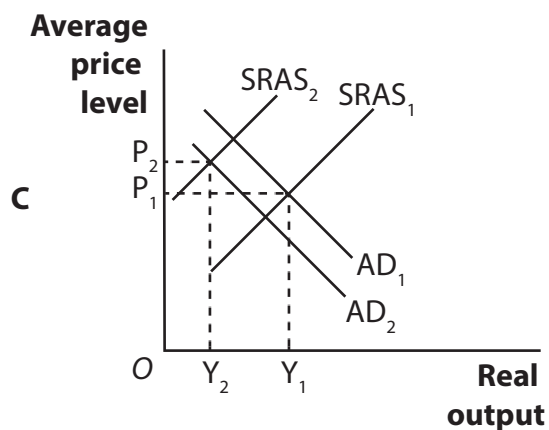
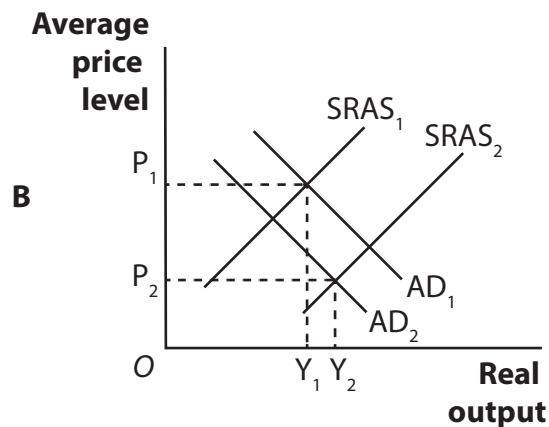
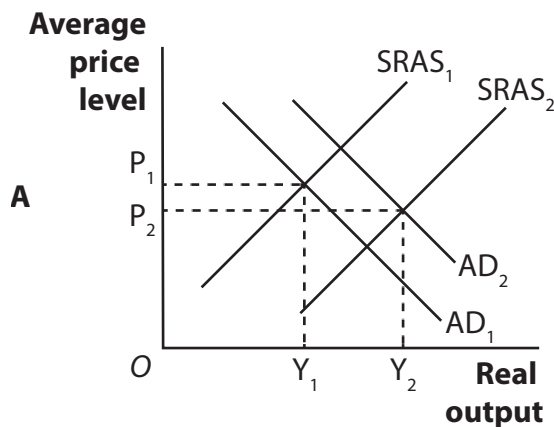
Which **one** of the following best describes the role of NGOs?

- ☐ A To provide loans to countries that experience temporary current account deficits on their balance of payments
- ☐ B To promote community-based development programmes to support economic growth and development
- ☐ C To maintain exchange rate stability by ensuring international monetary cooperation between countries
- ☐ D To set the rules for trade and to resolve trade disputes between countries

(Total for Question 5 = 1 mark)

- 6 Which **one** of the following aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the likely effect of a substantial currency appreciation?

In each diagram the original equilibrium is represented by P_1 and Y_1 .



- ☐ A
- ☐ B
- ☐ C
- ☐ D

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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SECTION B

Study Figures 1, 2 and 3 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 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working. (2)
- (b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11). (4)
- (c) With reference to Figure 2 and Extract A, examine **two** likely economic benefits to Vietnam of FDI inflows. (8)
- (d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness. (6)
- (e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness. (14)

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- (a) With reference to Figure 1 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working.

(2)

- (b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11).

(4)



(c) With reference to Figure 2 and Extract A, examine **two** likely economic benefits to Vietnam of FDI inflows.

(8)



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- (d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness.

(6)



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- (e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness.

(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 an additional 2 500 trade restrictions were introduced globally.

Evaluate the likely effects of an increase in protectionist policies on the global economy.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022 globalisation was a significant factor that led to an increase in average incomes in Indonesia. However, income inequality within the country also increased during the same period.

Evaluate reasons why globalisation may lead to an increase in income inequality within a country. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar.

Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)

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



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Sources for use with Section B

The economy of Vietnam

Figure 1 Foreign direct investment (FDI) in Vietnam, \$ billions, 2014–2022

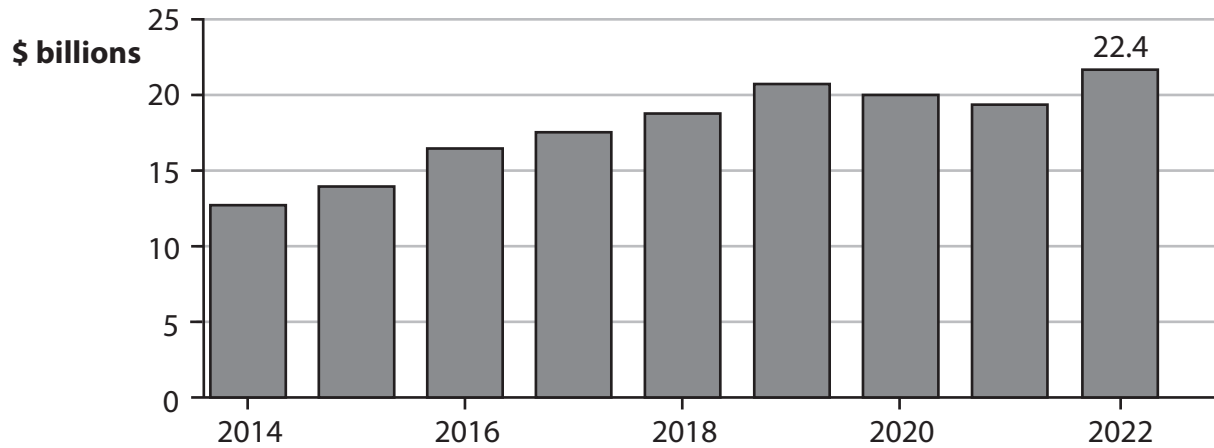


Figure 2 Largest sources of FDI inflows to Vietnam, \$ billions, 2022

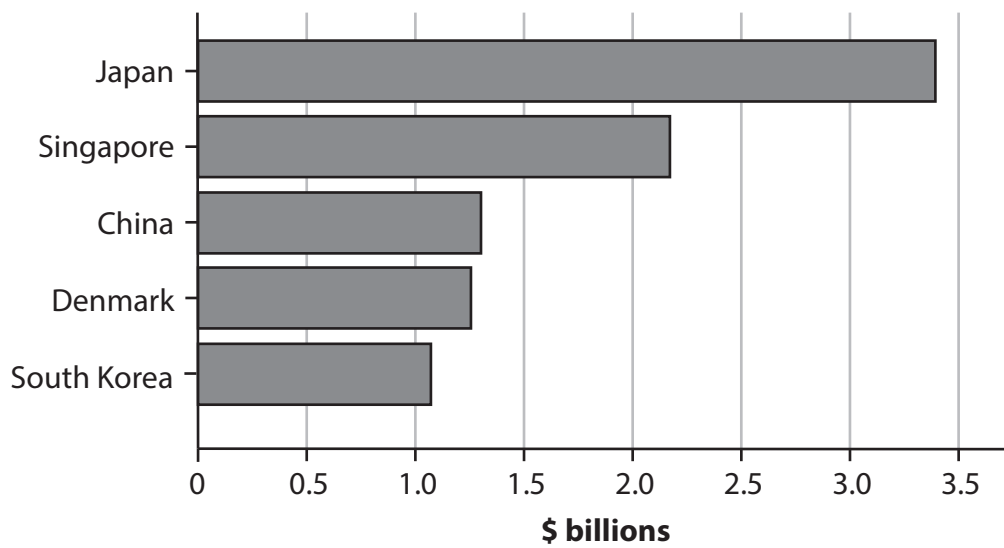
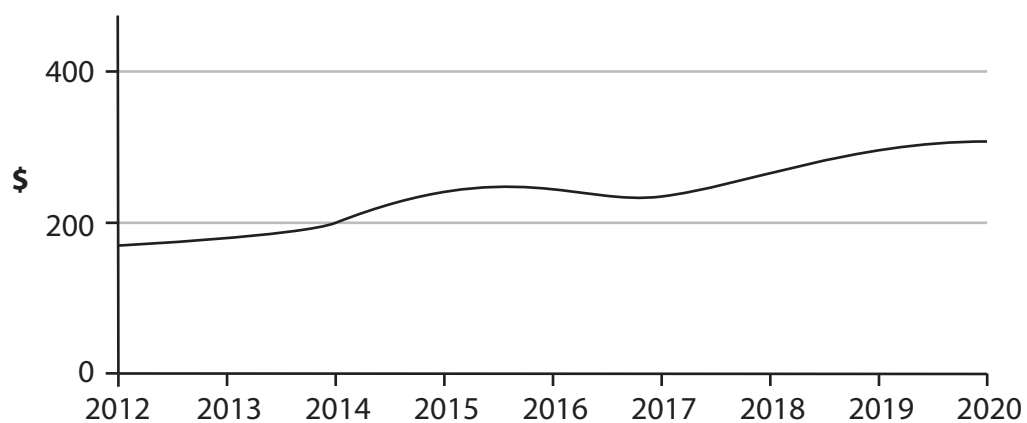


Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



Extract A Economic challenges

Some of the major suppliers to global technology companies are based in Vietnam. Trade wars between the USA and China and the risks to businesses exposed by the global health crisis of 2020-22 are forcing manufacturing businesses to move out of China and to invest in Vietnam. The relocation of businesses to Vietnam is part of a growing 'China plus one' strategy aimed at expanding global supply chains. 5

Vietnam attracted 962 new FDI projects in the first five months of 2022. This compared with 578 projects in the same period in 2021. In 2023, FDI inflows into Vietnam increased by 32.1% compared with 2022. FDI inflows are an important source of national income for Vietnam. Between 2016 and 2022 the proportion of the population living in absolute poverty decreased from 9.2% to 4.2%. 10

However, there are risks and uncertainties for foreign manufacturing businesses investing in Vietnam. The country suffers from weak physical infrastructure, especially its electricity network. In addition, the costs of bureaucracy for businesses are high. This is likely to have an impact on Vietnam's international competitiveness in the long-run. 15

Vietnam's Finance Minister said that the country's infrastructure was improving and becoming more modern. The country has an abundant supply of labour that will be cheap for a long time. In 2020 unit labour costs in Vietnam, although higher than in 2012, were still significantly lower than in China and Malaysia.

Nevertheless, the labour market in Vietnam is becoming inflexible. If manufacturing firms continue to shift operations to Vietnam there will be a shortage of skilled labour. One economist stated, "The challenge is the human capital. If you have to build a huge factory that needs 10 000 skilled workers, they need to come from somewhere." 20

Vietnam remains highly dependent on imports of raw materials from China. This means that Vietnam's supply chain is at risk if there are any disruptions to the flow of imports from China. 25

Whatever the doubts about infrastructure, bureaucracy, labour or other issues, few economists expect 'China plus one' growth to end soon. "The gates open, FDI comes in," said one existing entrepreneur, who is planning to make further investment in Vietnam.

Acknowledgements

Figures 1, 2, 3 and Extract A adapted from: FT, <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>