

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Friday 17 January 2025

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.

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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 According to its HDI score of 0.39, Chad is one of the least developed countries in the world.

Which **one** of the following strategies could promote economic development in Chad?

- A Reducing investment in infrastructure
- B Restricting foreign direct investment inflows
- C Removing restrictions on free trade
- D Limiting joint ventures between domestic firms and TNCs

(Total for Question 1 = 1 mark)

- 2 The exchange rate of the United Arab Emirates (UAE) currency, the dirham, is fixed against the US dollar. Assume that the UAE Government instructed the country's central bank to reduce the exchange rate of the dirham against the dollar.

Which **one** of the following would best describe the impact of this policy?

- A The exchange rate would appreciate
- B The exchange rate would be devalued
- C The exchange rate would depreciate
- D The exchange rate would be revalued

(Total for Question 2 = 1 mark)

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3 Ireland specialises in services while Japan specialises in manufacturing.

Ceteris paribus, if each country specialises and trades in the sector in which it has a comparative advantage, which **one** of the following is likely to occur?

- A A fall in the volume of exports and imports
- B A fall in the standard of living
- C An increase in world output
- D An increase in absolute poverty

(Total for Question 3 = 1 mark)

4 The table shows global GDP per capita in 2002, 2012 and 2022.

Year	GDP per capita (\$)
2002	5 537
2012	10 576
2022	12 647

If 2022 is the base year, what will be the index number for 2002?

- A 43.78
- B 83.62
- C 119.58
- D 228.41

(Total for Question 4 = 1 mark)



5 The East African Community (EAC) is a trading bloc that implements a common external tariff on non-member countries outside the bloc.

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

- A** The EAC is a common market where member countries can benefit from the free movement of labour
- B** The EAC is a trading bloc where member countries follow rules set by the World Bank
- C** The EAC is an economic and monetary union where member countries share the same currency
- D** The EAC is a customs union where member countries can benefit from trade creation

(Total for Question 5 = 1 mark)

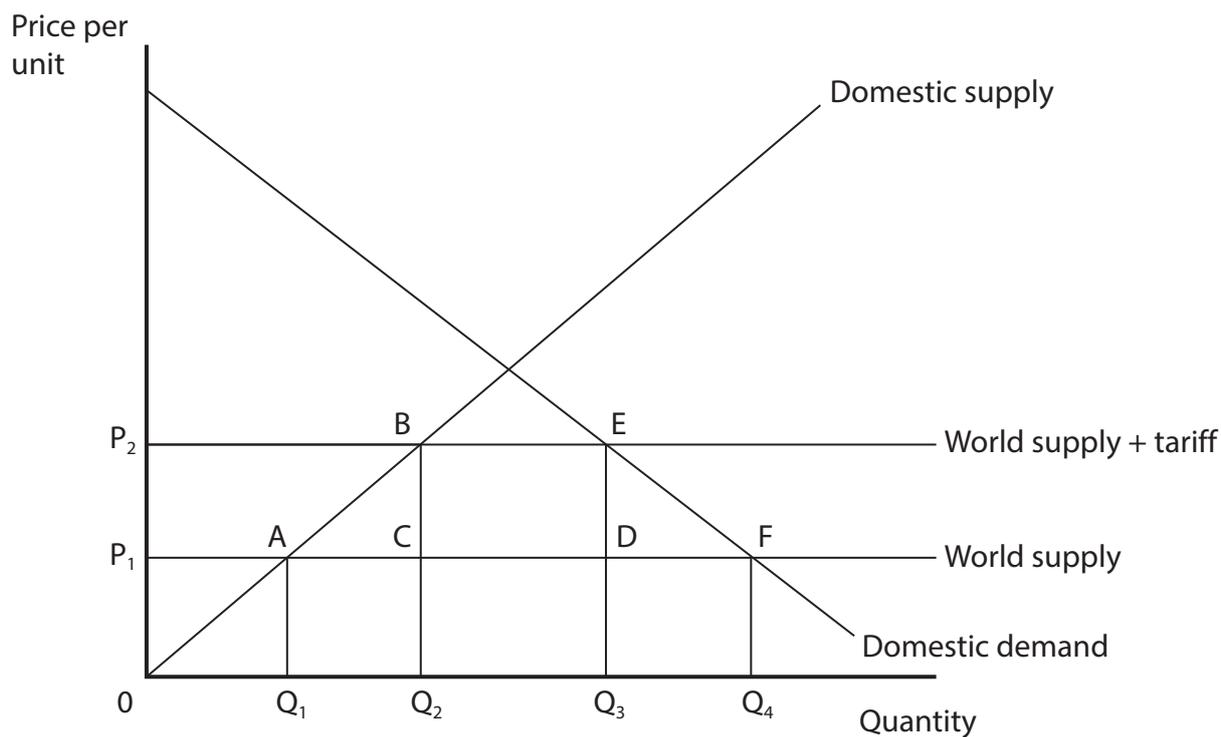


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6 The diagram illustrates the imposition of a tariff on steel.



Which **one** of the following statements is true?

- A Imports of steel decreased from Q_1-Q_4 to Q_2-Q_3
- B Government tax revenue is area A B E F
- C Producer surplus increased by the area $P_1 P_2 E F$
- D Consumer surplus decreased by the area $P_1 P_2 B A$

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



P 7 8 4 6 4 A 0 5 2 8

SECTION B

**Study Figures 1 and 2 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, the Gross Domestic Product (GDP) of Ghana was \$72.84 billion.
With reference to Figure 1, calculate the value of Ghana's national debt. You are advised to show your working. (2)
- (b) With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'. (4)
- (c) With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF. (6)
- (d) With reference to Figure 1 and Extract A, examine **two** disadvantages of an increase in Ghana's national debt. (8)
- (e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the introduction of an additional marginal rate of income tax of 35% on the economy of Ghana. (14)

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(c) With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF.

(6)

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(d) With reference to Figure 1 and Extract A, examine **two** disadvantages of an increase in Ghana's national debt.

(8)

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(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the introduction of an additional marginal rate of income tax of 35% on the economy of Ghana.

(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** Between 2004 and 2020, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.28 in Denmark and from 0.26 to 0.29 in Sweden.

Evaluate government policies, **apart from** changes in income tax rates, that could be used to reduce income inequality in a developed country of your choice.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022, Canada's productivity decreased by 9%.

Evaluate the likely effects of a decrease in productivity on a country of your choice.

(Total for Question 9 = 20 marks)

- 10** Between quarter 2 (Q2) 2020 and quarter 2 (Q2) 2022, global commodity prices increased by an average of 150%, with oil prices increasing by 239%.

Evaluate the possible causes of the increase in global commodity prices. Refer to examples of commodities 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 Ghana

Figure 1 National debt, % of Gross Domestic Product (GDP), 2010–2022

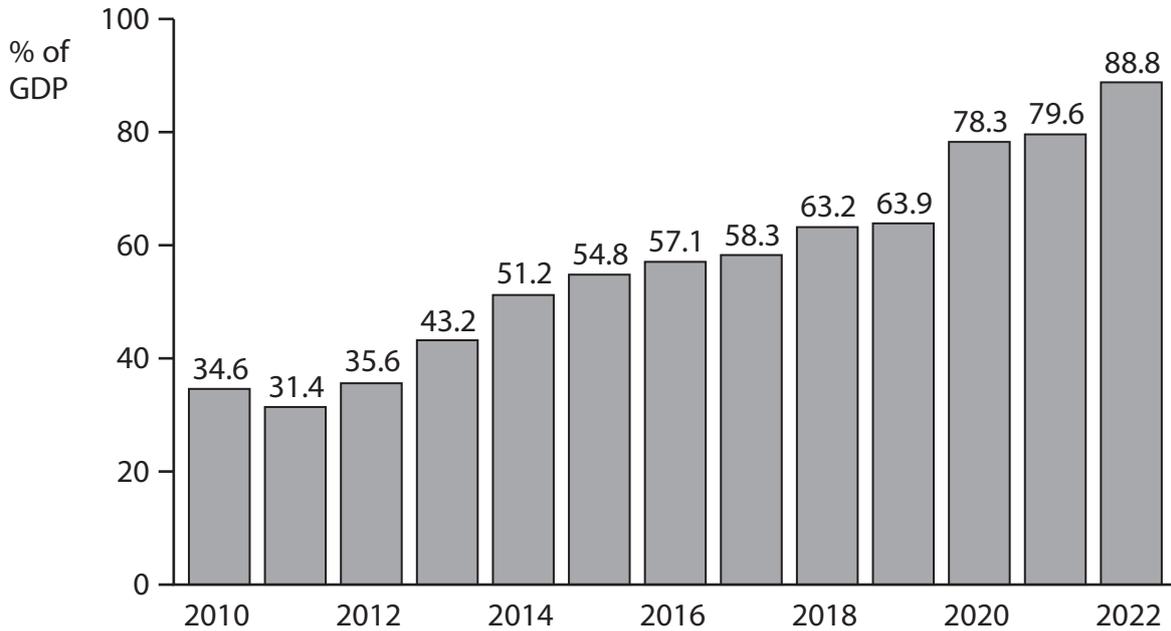
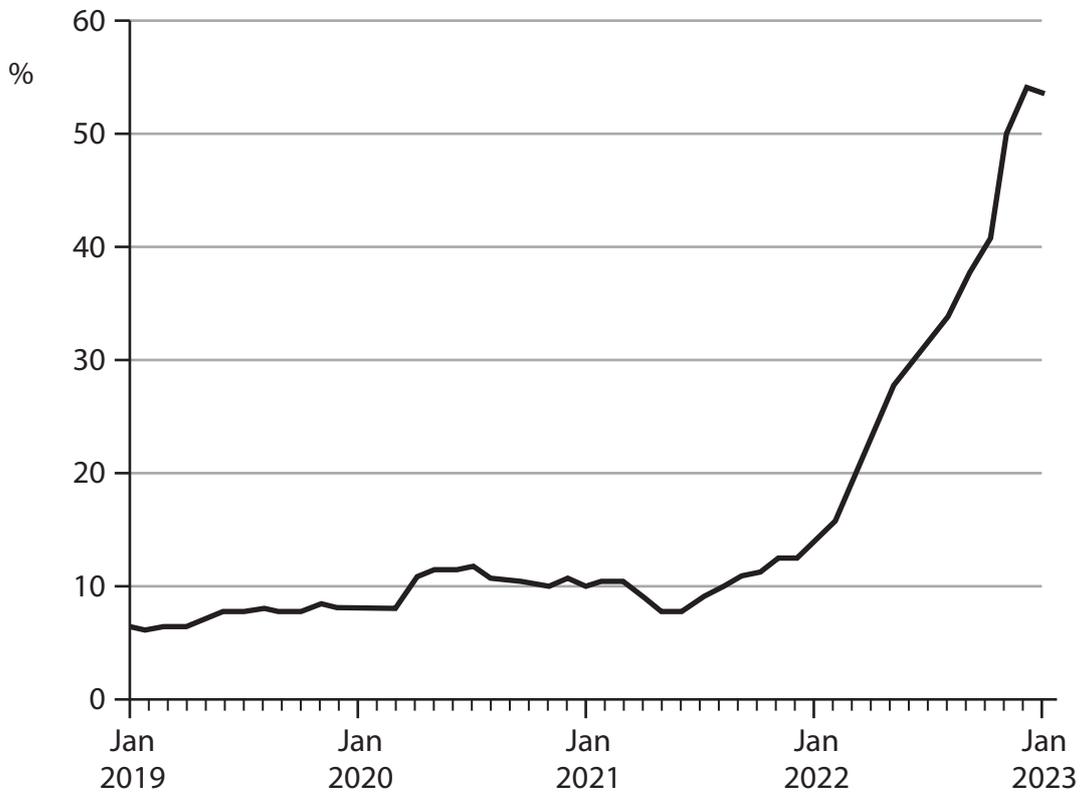


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2019 to January 2023



*This is the year-on-year inflation rate calculated monthly.

Extract A Economic outlook

Ghana has long been considered a success story and a model for African development. It is a major producer of gold and cocoa and has one of the region's highest Gross Domestic Product (GDP) per capita. The Government provides public services, including free education for children up to 15 years of age.

5

Between 2010 and 2020, the Government borrowed significant sums of money to finance the country's transport infrastructure projects. These included spending on ports, roads, railways and airports. In 2020 the Government increased its borrowing to prevent the economy from going into a recession as a result of the global health crisis. Much of the Government's spending took place when interest rates were low.

10

In 2022 Ghana experienced a rapid increase in its rate of inflation. This was partly caused by rising global food and energy prices. Ghana is a net importer of both food and energy. The depreciation of Ghana's currency, the *cedi*, against the US dollar also contributed to this increase in the country's rate of inflation. During 2022 Ghana's central bank raised the country's base rate of interest to control the high and rising rate of inflation.

15

In December 2022 Ghana defaulted on its debts. The country had failed to generate enough income to pay back its debts. Therefore debt servicing costs increased to 70% of government revenue. In 2023 the Government agreed to a bailout of \$3 billion from the International Monetary Fund (IMF). The bailout was provided on the condition that Ghana would take measures to reduce its debt. It was hoped that this IMF deal would help to restore business confidence in Ghana and to reduce exchange rate fluctuations.

20

However, there was little confidence amongst Ghana's population that the Government would spend the funds received from the IMF effectively. It was believed that there was significant corruption in the public sector.

The Government needed to increase revenue. Initially it introduced an additional marginal rate of income tax of 35% for the highest income earners. However, the IMF expressed concerns as to why this tax only applied to a very small proportion of the population. In addition, there was an IMF requirement to broaden the tax base to include more people in the informal sector. It is estimated that the informal sector makes up at least 80% of the economy. In 2023 Ghana's tax-to-GDP ratio was 13.4%. This was below the average in Africa of 16% and below the Government of Ghana's own target of 20%.

25

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Acknowledgements

Figure 1 adapted from <https://tradingeconomics.com/ghana/>

Figure 2 and Extract A adapted from FT, <https://www.ft.com/content/bd67731c-cea0-4045-96d4-5fff001f1fd2>

