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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Causes and effects of globalisation (4.3.1)

International A Level Economics · Unit 4: Developments in the global economy

15 questions · 144 marks · Mark schemes included

Past papers October 2020 - June 2025 · 3 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.3.1.1 CHARACTERISTICS OF GLOBALISATION		3 Qs · 24 marks	2
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2. Q7(a)	IAL Unit 4 June 2025	2	7
3. Q9	IAL Unit 4A June 2025	20	11
4.3.1.2 CAUSES OF GLOBALISATION		7 Qs · 65 marks	12
4. Q1	IAL Unit 4 June 2022	1	13
5. Q7(a)	IAL Unit 4 October 2024	2	14
6. Q7(b)	IAL Unit 4 (unused) January 2022	6	19
7. Q7(c)	IAL Unit 4 October 2024	8	24
8. Q7(b)	IAL Unit 4 June 2025	8	30
9. Q8	IAL Unit 4 January 2022	20	35
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11. Q4	IAL Unit 4 January 2024	1	38
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14. Q9	IAL Unit 4 October 2022	20	49
15. Q9	IAL Unit 4 October 2024	20	50



QUESTIONS

15 questions · 144 marks · 3 sub-topics

SUB-TOPIC 4.3.1.1

CHARACTERISTICS OF GLOBALISATION

Sub-topic 4.3.1.1 · 3 questions · 24 marks · lowest tariff first

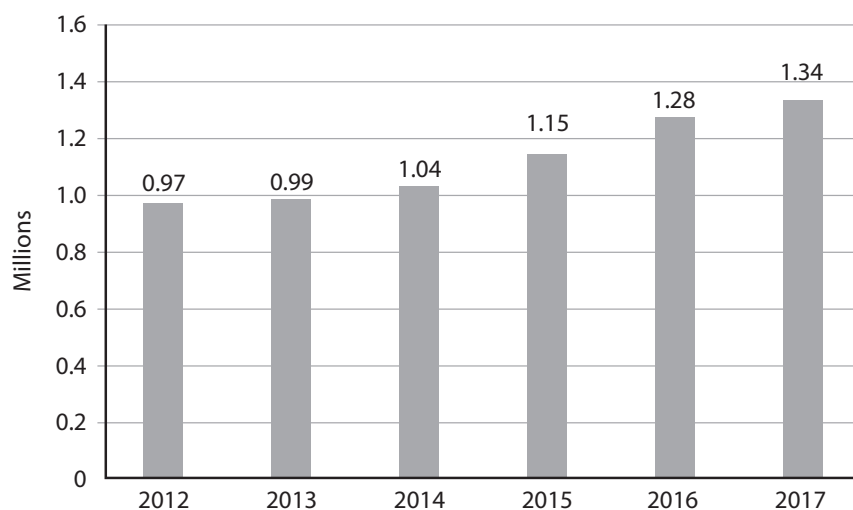
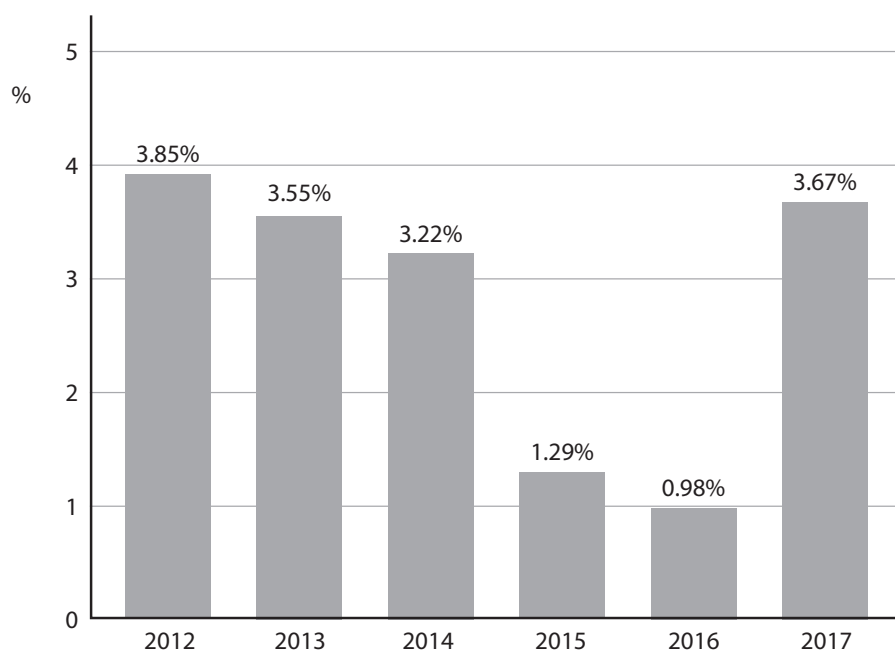


SECTION B

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 percentage change in the number of tourists between 2012 and 2017. You are advised to show your working. (2)
- (b) With reference to Figure 1 and Extract A, analyse **two** economic benefits of the growth in the number of tourists to Mauritius. (6)
- (c) Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16). (4)
- (d) With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10). (8)
- (e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow. (14)



Sources for use with Section B.**The economy of Mauritius****Figure 1 Number of tourist arrivals, 2012–2017 (millions)****Figure 2 Annual inflation rate as measured by the Consumer Price Index, 2012–2017**

Extract A Economic growth

Mauritius' economy has continued to grow steadily. Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector. Earnings from tourism exceeded \$1 billion. The Government aims to further develop this sector and expects it to grow by an average of 6% every year between 2018 and 2023. Tourism contributes nearly 7% of Mauritius' GDP. 5

The country's economic growth was also supported by the Bank of Mauritius' reflationary monetary policy. Mauritius experienced low inflationary pressures in 2015 and 2016. This was as a result of falling global commodity and food prices. In 2017 the Bank reduced the base interest rate from 4% to 3.5%. 10

Public expenditure increased from 25.1% of GDP in 2016 to 25.4% of GDP in 2017. This was caused by a rise in government expenditure on public sector wages and major infrastructure projects. Over the same time period, total tax revenues increased from 21.7% of GDP to 22.5% of GDP. Higher tax revenue was received from income tax, corporation tax and indirect taxes. Consequently, there was a reduction in the fiscal deficit. 15

Extract B The private sector

Mauritius' private sector consists of large companies as well as many small and medium-sized enterprises (SMEs). In 2017 SMEs contributed 40% of the country's GDP and employed 55% of the country's workforce.

The private sector has the potential to grow further but a number of problems need to be addressed. The Government needs to reduce the economy's skills mismatch, increase innovation and reduce bureaucracy. It also needs to make significant improvements in the country's infrastructure. 5

The private sector in Mauritius suffers from a shortage of highly qualified labour. This is mainly as a result of insufficient skills and training. Innovation remains inadequate because there is a shortage of scientists and engineers. There is also a lack of finance to fund research and development. 10

The Government has identified several infrastructure projects for improving the country's power sources, water supply, transport and telecommunications. Financing of these infrastructure developments remains a key issue because the country has relatively high levels of public sector debt. 15

However, Mauritius continues to be amongst the most business-friendly countries in the region. There was a significant improvement in Mauritius' position on the World Bank's *Doing Business* index in 2018. This was as a result of substantial reforms under three indicators: starting a business, dealing with construction permits and registering property. 20

- (a) With reference to Figure 1, calculate the percentage change in the number of tourists between 2012 and 2017. You are advised to show your working.

(2)

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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 2020 the value of world exports was \$22.5 trillion.

With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings.

(2)

- (b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** factors that contributed to 'increased globalisation'.

(8)

- (c) Explain what is meant by 'protectionist policies'. (Extract A, line 14)

(4)

- (d) With reference to the third paragraph of Extract A, analyse **two** roles of the World Trade Organization (WTO).

(6)

- (e) With reference to the information provided and your own knowledge, discuss the likely economic benefits to China of signing free-trade agreements with other countries.

(14)



Sources for use with Section B

The global economy

Figure 1 World exports, % of world Gross Domestic Product (GDP), 1980–2020

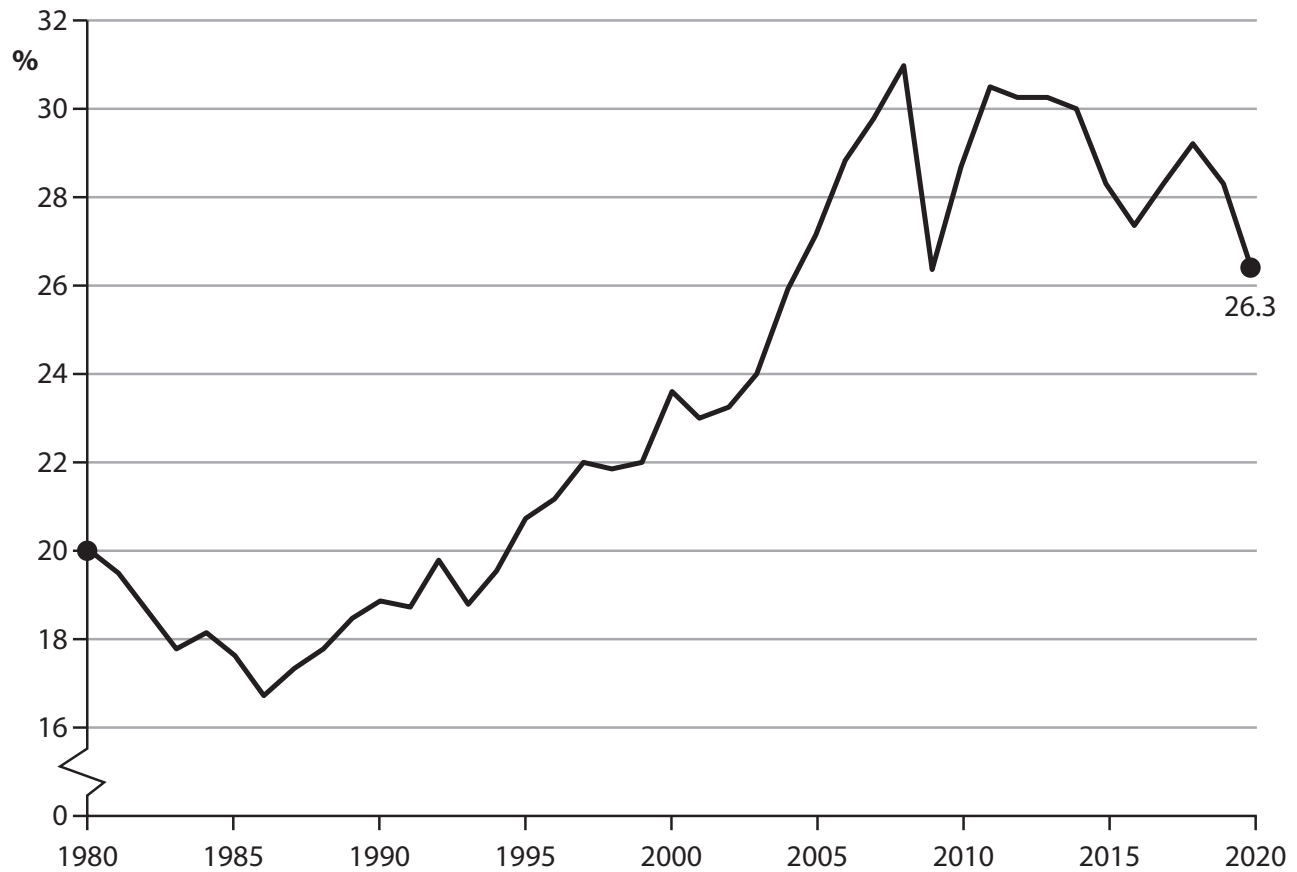
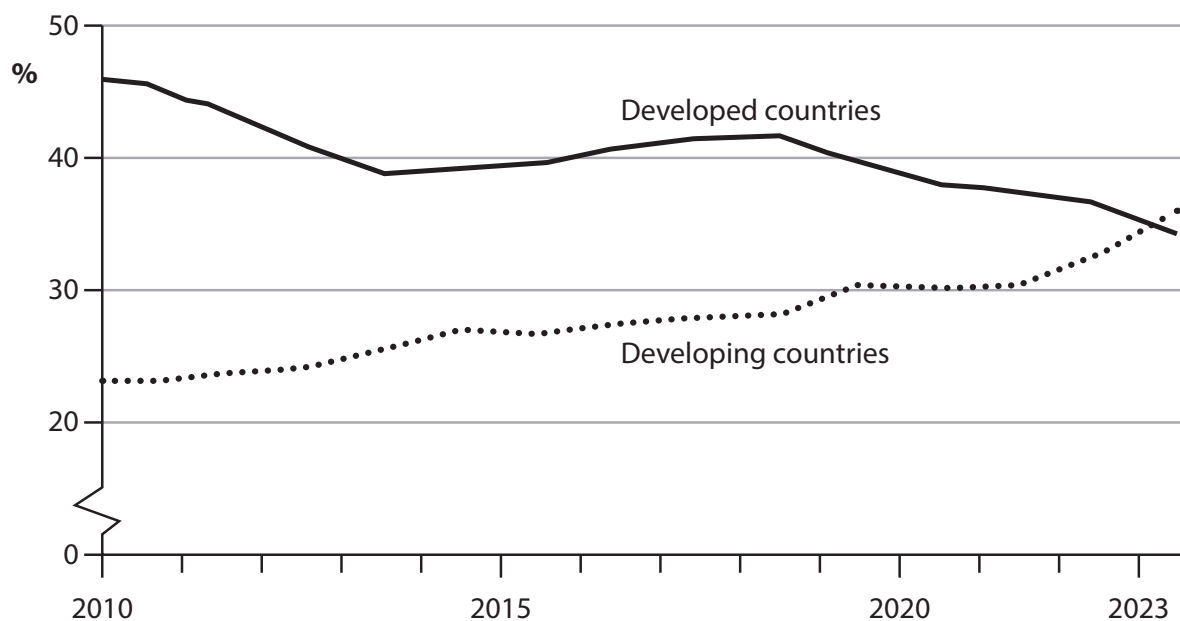


Figure 2 Destination of exports from China, % of total exports, January 2010 to April 2023



Extract A Globalisation

Between 1980 and 2020, world exports as a percentage of GDP rose significantly. Economists identified a combination of factors that contributed to increased globalisation during this period:

- the reduced cost of transport 5
- the reduced cost of communications
- the increased significance of TNCs
- political change (breakdown of the Soviet system and the opening up of China).

After the breakdown of the Soviet system in the early 1990s, the world economy experienced two significant periods in relation to global exports. Until 2010 there was a period of 'hyperglobalisation'. The flows of foreign direct investment (FDI) and portfolio investment across borders grew faster than the trade in goods and services. After 2010 there was a period of 'slowbalisation' in which growth in trade and investment increased at a slower rate. This was as a result of the increased use of protectionist policies by the USA and the European Union (EU) on China to protect national security. The USA and the EU are China's largest export markets. 10 15

Economists claimed that the World Trade Organization (WTO) was ineffective in preventing the USA and the EU from using protectionist policies. These policies prompted the Government of China to reduce its trade dependency on developed countries by promoting trade with developing countries in Asia, Africa and South America. By 2022 China had signed free-trade agreements with 28 countries. These agreements allow the free movement of goods and services and remove restrictions on FDI. In 2022, China also became a member of the Regional Comprehensive Economic Partnership (RCEP), a free-trade area, that contributes to one-third of the world's GDP. 20

China's Government believes that these 28 free-trade agreements and its RCEP membership could increase the country's rate of economic growth and improve its economic development. In 2023 exports to these 28 countries contributed to nearly 38% of China's global exports, exceeding its exports to developed countries. Trade between China and the other RCEP member countries increased by 5.3% between 2021 and 2023. 25

However, many economists suggest that, in the long term, China cannot easily replace its loss of trade with the USA and the EU by trading with other countries and regions. The current trade wars with the USA and the EU mean that China remains highly exposed to risks that global trade may further decline in 2024. Consequently, China would not want to see continued 'slowbalisation'. It has been a beneficiary of trade liberalisation, experiencing a tenfold increase in its total trade since it became a member of the WTO in 2001. 30 35



(a) In 2020 the value of world exports was \$22.5 trillion.

With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings.

(2)



SECTION C**Answer TWO questions from this section.**

- 8** In 2024, the value of China's exports was \$3.6 trillion and the value of its imports was \$2.6 trillion. In 2024, China's rate of economic growth was 5%. This was the lowest rate since 2022.

Evaluate the likely effects of a reduction in China's rate of economic growth on the global economy.

(Total for Question 8 = 20 marks)

- 9** In 2021, 2.4 million migrants moved into the European Union (EU) from non-EU countries. In 2022, this number rose to 5.1 million.

Evaluate the likely benefits of a significant increase in migration into the EU.

(Total for Question 9 = 20 marks)

- 10** Between 2013 and 2023, Iraq's national debt increased from 32% of GDP to 49.2% of GDP.

Evaluate the disadvantages of an increase in a country's national debt. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)



SUB-TOPIC 4.3.1.2

CAUSES OF GLOBALISATION

Sub-topic 4.3.1.2 · 7 questions · 65 marks · lowest tariff first



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 factors has contributed to increased globalisation in the last 50 years?

- ☐ A An increase in the cost of transport
- ☐ B An increase in the cost of communications
- ☐ C A reduction in tariffs and quotas
- ☐ D A reduction in the number of trading blocs

(Total for Question 1 = 1 mark)

- 2 In 2021 the Reserve Bank of India decided to extend its quantitative easing programme.

Ceteris paribus, which **one** of the following is the most likely effect of this decision?

- ☐ A An increase in the rate of inflation
- ☐ B An increase in the rate of unemployment
- ☐ C A decrease in the money supply
- ☐ D A decrease in the rate of economic growth

(Total for Question 2 = 1 mark)

- 3 In 2021 the governments of 136 countries agreed to set a global minimum corporation tax rate of 15%. The aim of this agreement was to make it more difficult for transnational companies (TNCs) to avoid paying corporation tax.

Which **one** of the following is also a measure that governments may use to control TNCs?

- ☐ A Cutting costs of bureaucracy
- ☐ B Improving access to banking
- ☐ C Increasing indirect taxes
- ☐ D Regulation of transfer pricing

(Total for Question 3 = 1 mark)



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)

Sources for use with Section B

The economy of Vietnam

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

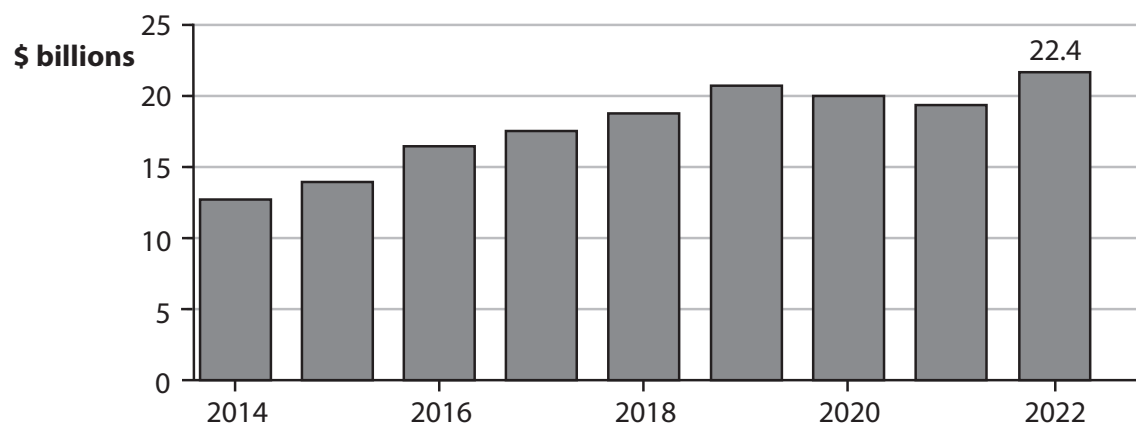


Figure 2 Largest sources of FDI inflows to Vietnam, \$ billions, 2022

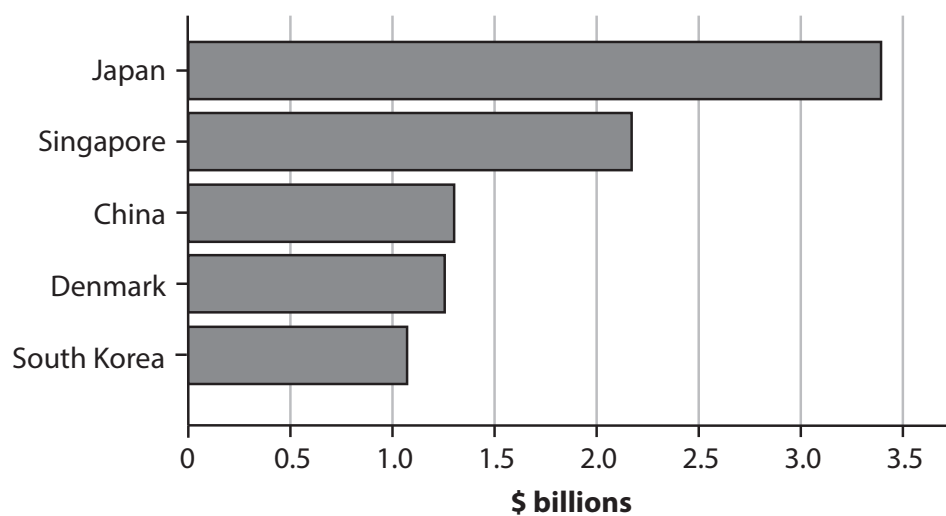
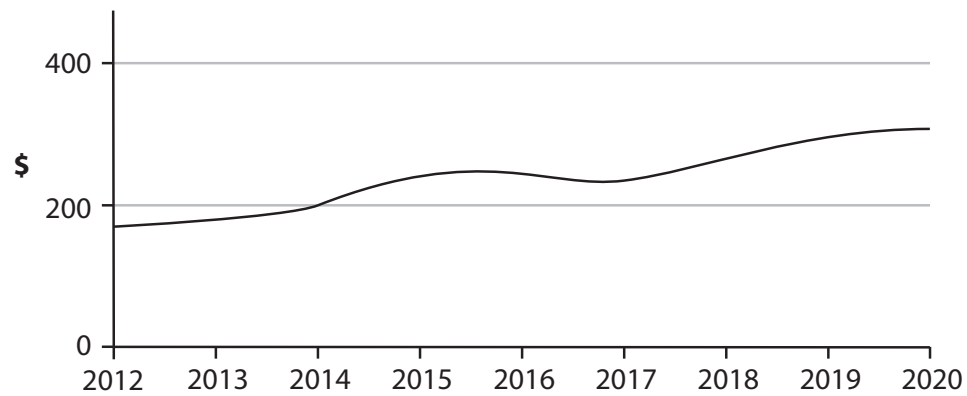


Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



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>



(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)

SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

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

- 7** (a) With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working. (2)
- (b) Analyse **two** reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4–5). (6)
- (c) Explain what is meant by a 'tariff' (Extract A, line 7). (4)
- (d) With reference to the information provided and your own knowledge, examine **two** likely problems arising from the fall in the number of Chinese tourists to Taiwan. (8)
- (e) Discuss policies, apart from tourism, being implemented by the Taiwanese Government to reduce its dependence on China. (14)

Sources for use with Section B

The economy of Taiwan

Figure 1 International visitors to Taiwan from selected countries, millions, 2015–2019

Country	2015	2016	2017	2018	2019
China	4.18	3.51	2.73	2.70	2.71
Japan	1.63	1.90	1.90	1.97	2.17
The Philippines*	0.14	0.17	0.29	0.42	0.51
Thailand*	0.12	0.20	0.23	0.32	0.41
Vietnam*	0.15	0.20	0.38	0.49	0.41

* represents Southeast Asian countries



Extract A Economic independence

China is Taiwan's most important trading partner and it is the main destination for Taiwan's exports. Much of Taiwan's foreign direct investment also goes to China. Since the 1980s over 100 000 Taiwanese firms moved to China to set up their manufacturing facilities. They were attracted by cheap labour and a large Chinese market. 5

After the USA imposed tariffs on several Chinese-made goods in 2018, Taiwanese firms started moving production from China to other countries. The average tariff is 19.3% on US imports from China.

The Taiwanese Government believed that it was essential for Taiwan to become less dependent on China. This was supported by a three-year reshoring plan, starting in 2019, that involved encouraging domestic firms to move back to Taiwan. This plan included: 10

- incentives that made it easier to buy land and register property
- investment in infrastructure to ensure the continuous provision of gas, electricity and water supply
- subsidies and tax incentives for the technology sector. 15

Taiwanese firms agreed to invest \$33 billion in Taiwan between 2019 and 2021. However, of that amount, only \$6.8 billion was invested in 2019 and only \$1.1 billion in 2020. This reluctance to invest was mainly because several large Taiwanese firms were discouraged from relocating back to Taiwan. Bureaucracy and severe shortages of highly skilled labour were the two most significant reasons given by these firms. 20

Even before the reshoring plan, the Taiwanese Government had initiated the New Southbound Policy (NSP) in 2016 to reduce its economic dependence on China. This policy was designed to increase trade between Taiwan and countries in South Asia and Southeast Asia. However, China accounted for nearly 40% of Taiwan's exports in 2019, twice that of the countries covered by the NSP. China also has strong trade links with Southeast Asian countries. This has limited the extent to which Taiwan can promote its own trade relationships and cooperation with these countries. 25

Tourism is another sector where Taiwan has reduced its reliance on China. However, Taiwan has made up for the fall in Chinese tourists by attracting more visitors from Japan and countries in Southeast Asia. 30

Reducing dependency on China for tourism and trade will not be easy and it is becoming an important issue for a number of countries.

(6)



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SECTION B

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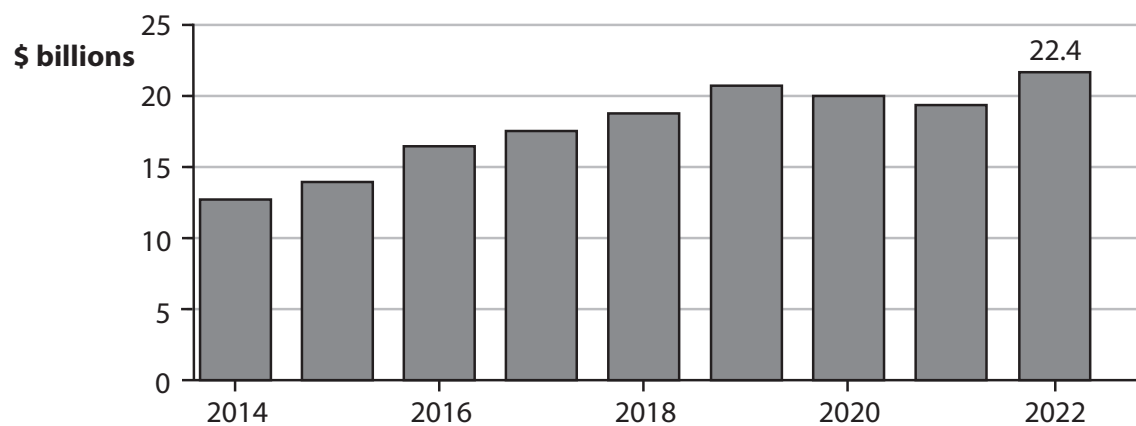


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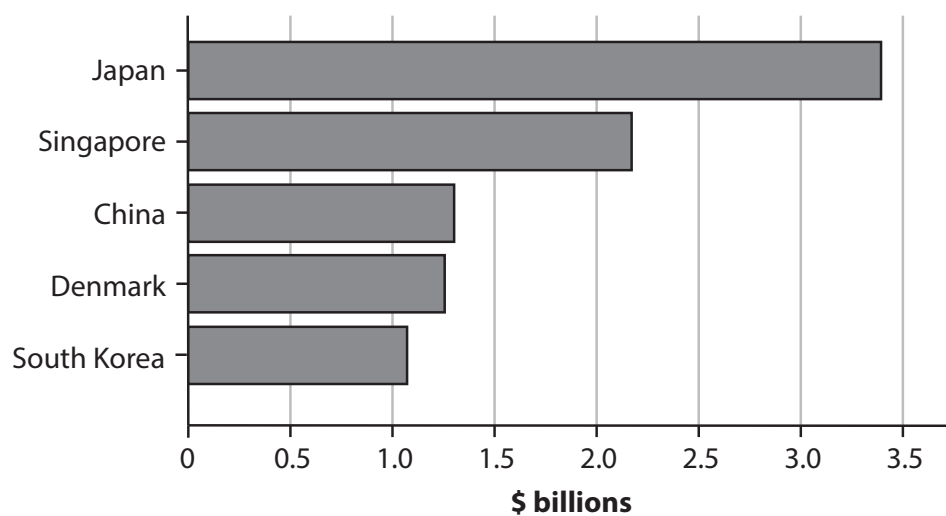
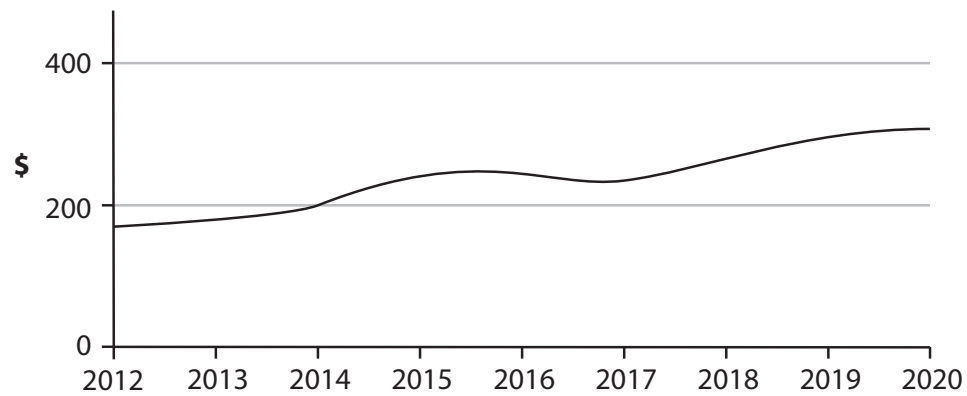


Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



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

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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>

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

(8)



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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.

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With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings.

(2)

- (b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** factors that contributed to 'increased globalisation'.

(8)

- (c) Explain what is meant by 'protectionist policies'. (Extract A, line 14)

(4)

- (d) With reference to the third paragraph of Extract A, analyse **two** roles of the World Trade Organization (WTO).

(6)

- (e) With reference to the information provided and your own knowledge, discuss the likely economic benefits to China of signing free-trade agreements with other countries.

(14)



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Figure 1 World exports, % of world Gross Domestic Product (GDP), 1980–2020

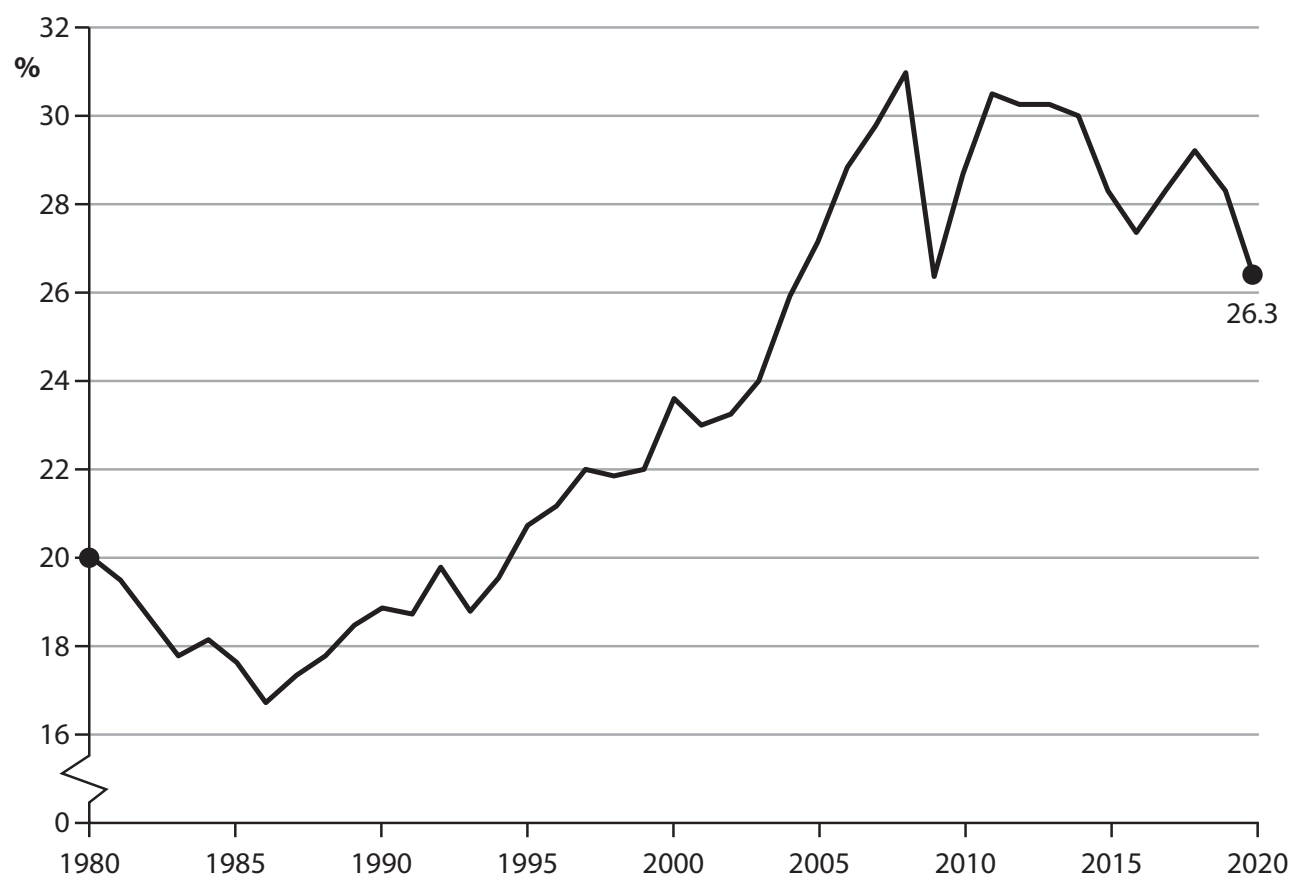
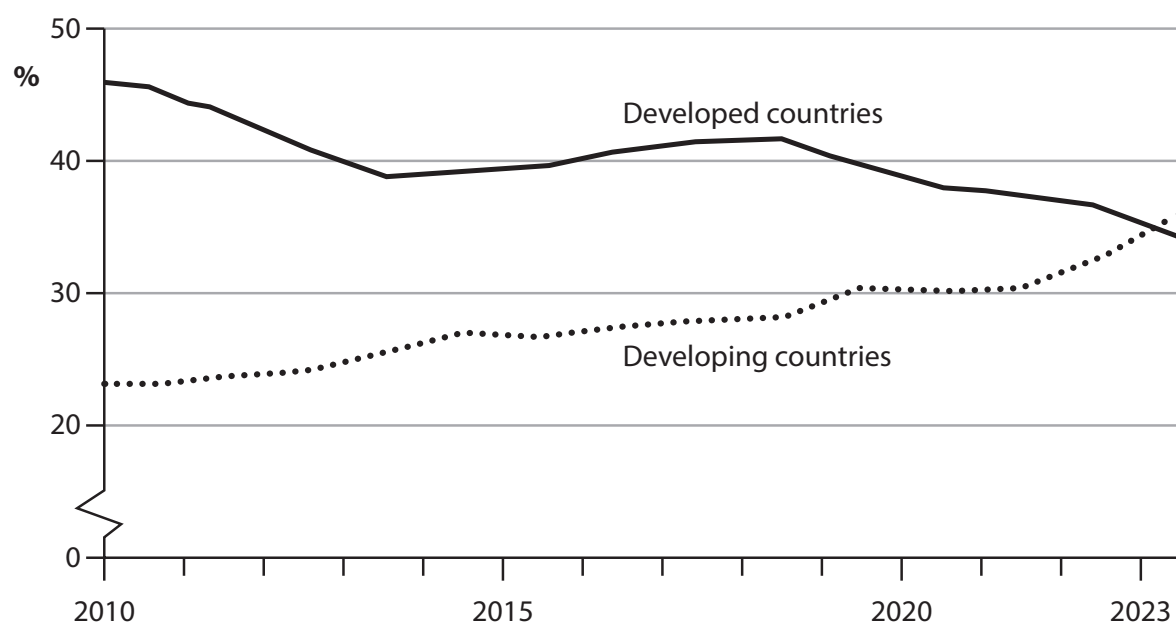


Figure 2 Destination of exports from China, % of total exports, January 2010 to April 2023



Extract A Globalisation

Between 1980 and 2020, world exports as a percentage of GDP rose significantly. Economists identified a combination of factors that contributed to increased globalisation during this period:

- the reduced cost of transport 5
- the reduced cost of communications
- the increased significance of TNCs
- political change (breakdown of the Soviet system and the opening up of China).

After the breakdown of the Soviet system in the early 1990s, the world economy experienced two significant periods in relation to global exports. Until 2010 there was a period of 'hyperglobalisation'. The flows of foreign direct investment (FDI) and portfolio investment across borders grew faster than the trade in goods and services. After 2010 there was a period of 'slowbalisation' in which growth in trade and investment increased at a slower rate. This was as a result of the increased use of protectionist policies by the USA and the European Union (EU) on China to protect national security. The USA and the EU are China's largest export markets. 10 15

Economists claimed that the World Trade Organization (WTO) was ineffective in preventing the USA and the EU from using protectionist policies. These policies prompted the Government of China to reduce its trade dependency on developed countries by promoting trade with developing countries in Asia, Africa and South America. By 2022 China had signed free-trade agreements with 28 countries. These agreements allow the free movement of goods and services and remove restrictions on FDI. In 2022, China also became a member of the Regional Comprehensive Economic Partnership (RCEP), a free-trade area, that contributes to one-third of the world's GDP. 20

China's Government believes that these 28 free-trade agreements and its RCEP membership could increase the country's rate of economic growth and improve its economic development. In 2023 exports to these 28 countries contributed to nearly 38% of China's global exports, exceeding its exports to developed countries. Trade between China and the other RCEP member countries increased by 5.3% between 2021 and 2023. 25

However, many economists suggest that, in the long term, China cannot easily replace its loss of trade with the USA and the EU by trading with other countries and regions. The current trade wars with the USA and the EU mean that China remains highly exposed to risks that global trade may further decline in 2024. Consequently, China would not want to see continued 'slowbalisation'. It has been a beneficiary of trade liberalisation, experiencing a tenfold increase in its total trade since it became a member of the WTO in 2001. 30 35

(8)





SECTION C**Answer TWO questions from this section.**

- 8** Between 1980 and 2020 it was estimated that total global shipping container volumes increased from 100 million tonnes to 2 billion tonnes.

Evaluate factors that have contributed to increased globalisation in the last 50 years. Refer to examples of countries in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2020 the European Union imposed retaliatory tariffs of 25% on many US goods in a dispute over aircraft subsidies.

Evaluate possible reasons why developed countries might restrict free trade.

(Total for Question 9 = 20 marks)

- 10** In 2020 Pakistan had a Human Development Index (HDI) score of 0.60 whereas Argentina had a HDI score of 0.85.

Evaluate economic factors that constrain the growth and development of a developing country.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8** Between 2000 and 2020, Gibraltar's terms of trade worsened by 44.6% and Greece's terms of trade worsened by 14.3%.

Evaluate factors that might cause a country's terms of trade to worsen.

(Total for Question 8 = 20 marks)

- 9** In 2021 it was estimated that a large proportion of the fiscal deficits in both Brazil and Suriname was structural.

To what extent is a structural fiscal deficit more serious than a cyclical fiscal deficit?
Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In the first quarter of 2022 the USA and Australia both experienced inflows of foreign direct investment (FDI) of \$67 billion and \$59 billion respectively.

Evaluate the potential economic benefits to a developed country of FDI inflows.

(Total for Question 10 = 20 marks)



SUB-TOPIC 4.3.1.3

EFFECTS OF GLOBALISATION

Sub-topic 4.3.1.3 · 5 questions · 55 marks · lowest tariff first



- 4 Globalisation has been associated with an increase in real GDP per capita in many countries. However, some economists consider that there are costs associated with globalisation.

Ceteris paribus, which **one** of the following is a possible cost of globalisation on the global economy?

- ☐ A Lower prices and higher consumer surplus
- ☐ B Lower rates of unemployment
- ☐ C Higher long-run average costs for transnational companies
- ☐ D Higher external costs arising from increased trade

(Total for Question 4 = 1 mark)

- 5 In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar. Japan's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

	Japanese yen	US dollar
☐ A	Buy	Buy
☐ B	Buy	Sell
☐ C	Sell	Buy
☐ D	Sell	Sell

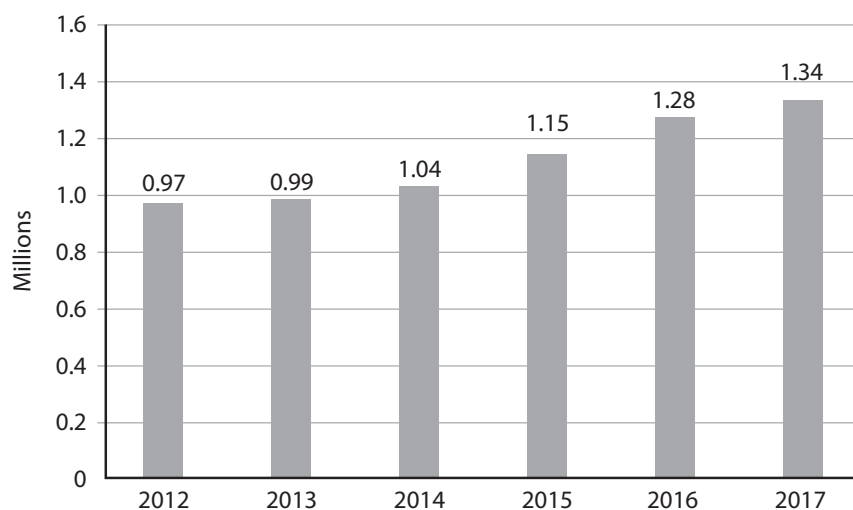
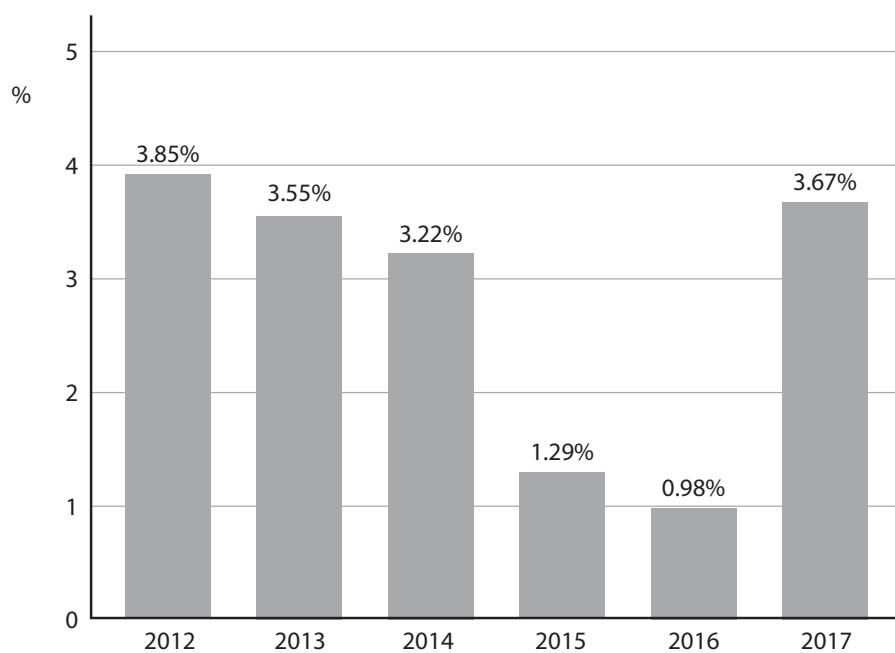
(Total for Question 5 = 1 mark)

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 percentage change in the number of tourists between 2012 and 2017. You are advised to show your working. (2)
- (b) With reference to Figure 1 and Extract A, analyse **two** economic benefits of the growth in the number of tourists to Mauritius. (6)
- (c) Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16). (4)
- (d) With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10). (8)
- (e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow. (14)



Sources for use with Section B.**The economy of Mauritius****Figure 1 Number of tourist arrivals, 2012–2017 (millions)****Figure 2 Annual inflation rate as measured by the Consumer Price Index, 2012–2017**

Extract A Economic growth

Mauritius' economy has continued to grow steadily. Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector. Earnings from tourism exceeded \$1 billion. The Government aims to further develop this sector and expects it to grow by an average of 6% every year between 2018 and 2023. Tourism contributes nearly 7% of Mauritius' GDP. 5

The country's economic growth was also supported by the Bank of Mauritius' reflationary monetary policy. Mauritius experienced low inflationary pressures in 2015 and 2016. This was as a result of falling global commodity and food prices. In 2017 the Bank reduced the base interest rate from 4% to 3.5%. 10

Public expenditure increased from 25.1% of GDP in 2016 to 25.4% of GDP in 2017. This was caused by a rise in government expenditure on public sector wages and major infrastructure projects. Over the same time period, total tax revenues increased from 21.7% of GDP to 22.5% of GDP. Higher tax revenue was received from income tax, corporation tax and indirect taxes. Consequently, there was a reduction in the fiscal deficit. 15

Extract B The private sector

Mauritius' private sector consists of large companies as well as many small and medium-sized enterprises (SMEs). In 2017 SMEs contributed 40% of the country's GDP and employed 55% of the country's workforce.

The private sector has the potential to grow further but a number of problems need to be addressed. The Government needs to reduce the economy's skills mismatch, increase innovation and reduce bureaucracy. It also needs to make significant improvements in the country's infrastructure. 5

The private sector in Mauritius suffers from a shortage of highly qualified labour. This is mainly as a result of insufficient skills and training. Innovation remains inadequate because there is a shortage of scientists and engineers. There is also a lack of finance to fund research and development. 10

The Government has identified several infrastructure projects for improving the country's power sources, water supply, transport and telecommunications. Financing of these infrastructure developments remains a key issue because the country has relatively high levels of public sector debt. 15

However, Mauritius continues to be amongst the most business-friendly countries in the region. There was a significant improvement in Mauritius' position on the World Bank's *Doing Business* index in 2018. This was as a result of substantial reforms under three indicators: starting a business, dealing with construction permits and registering property. 20

(6)



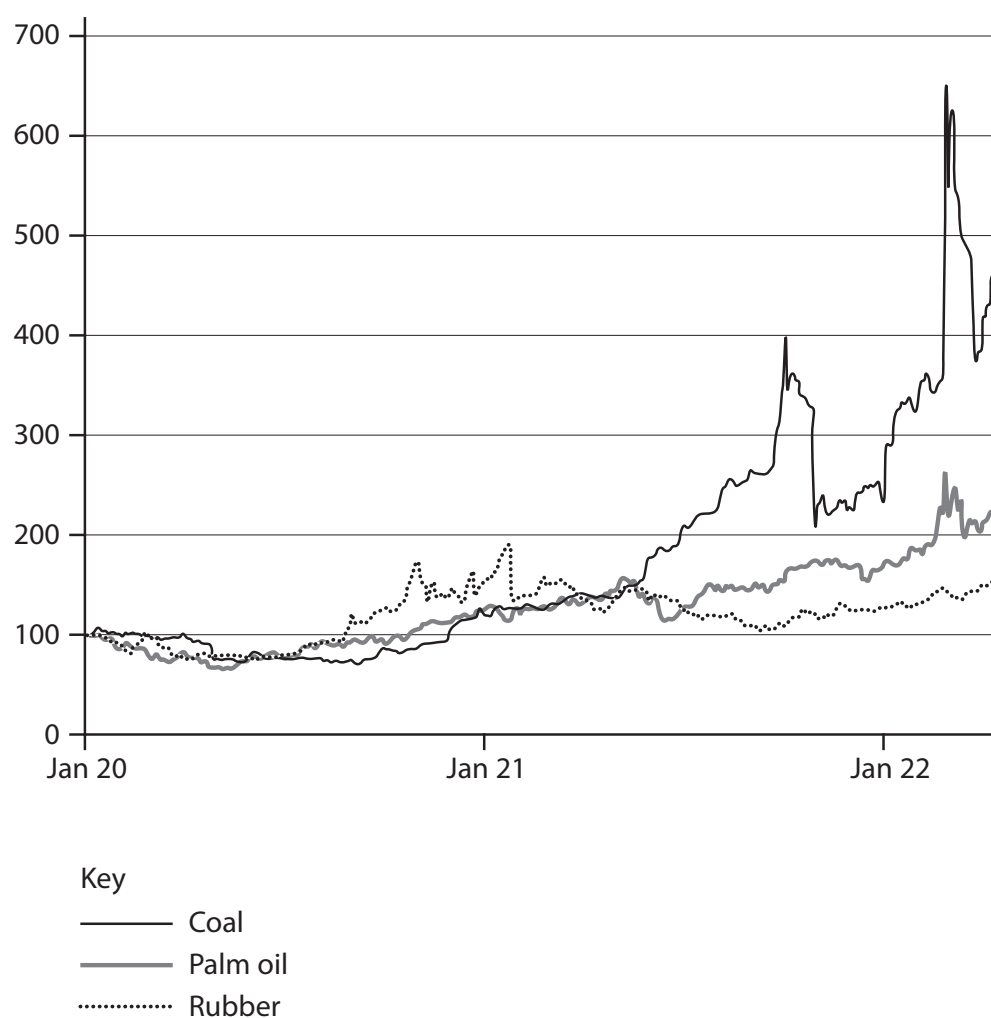


SECTION B

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)

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

(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)





SECTION C

Answer TWO questions from this section.

- 8** In 2021 there was a significant increase in the number of joint ventures between local businesses and transnational companies in many developing countries.

Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting *economic development*.

(Total for Question 8 = 20 marks)

- 9** Between 1970 and 2020 growth in international trade, a key measure of globalisation, increased significantly.

Evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2020 developed countries that were members of the Organisation for Economic Cooperation and Development (OECD) spent \$238 billion on agricultural subsidies.

Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries.

(Total for Question 10 = 20 marks)



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)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section B

Question	Answer	Mark
7 (a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. Application Up to 2 marks for calculations: • $(1.34\text{m} - 0.97\text{m}) / 0.97\text{m} \times 100$ (1) • 38.14 (1) Award full marks for the correct answer (38.14, 38.1, 38)	(2)



5	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because this is 3.1%/4.8% and does not calculate the index of export prices or index of import prices C is not correct because this is (index of import prices/index of export prices)*100 = $96.9/95.2 * 100$ D is not correct because this is 4.8%/3.1% and does not calculate the index of export prices or index of import prices	(1)
6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because Uruguay's Lorenz curve shifted away from the line of perfect equality B is not correct because perfect income inequality in Uruguay would imply that the Gini coefficient will be 100% D is not correct because income inequality in Uruguay increased by 1.3 percentage points	(1)

Section B

Question		Mark
	In 2020 the value of world exports was \$22.5 trillion. With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings. Answer	
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: \$22.5 trillion / 26.3 x 100 (1) \$85.55 trillion (1) NB Award 2 marks for correct answer (\$85.55 trillion / \$85.6 trillion / \$86 trillion) NB Award only 1 mark for \$85.55 / \$85.6 / \$86	(2)

Question	In 2021, 2.4 million migrants moved into the European Union (EU) from non-EU countries. In 2022, this number rose to 5.1 million. Evaluate the likely benefits of a significant increase in migration into the EU. Indicative content	
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content - Understanding of migration Benefits may include: - Reduction in skills shortages in labour markets, increasing productivity; may help decrease production bottlenecks - Effects on labour market: rise in competition, reduction of wage and unit labour costs, making exports more internationally competitive - Reduction in voluntary unemployment/increase in filling of job vacancies; make the labour market more flexible as migrants are willing to take up jobs that are hard to fill, including seasonal and low-skilled work - Increase in economic growth as a result of an increase in LRAS: lower price level and higher real output - Rise in tax receipts for governments of countries in the EU resulting in an improvement in public finances - May bring new ideas and entrepreneurship, contributing to innovation and the creation of new businesses - Helps to counteract the ageing population in many EU countries by increasing the birth rate and supporting the dependency ratio - Migrants often work in essential sectors such as healthcare, education, and social services, helping to meet the demand for these services and supporting the overall functioning of society N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the EU in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Depends on the magnitude of the increase in migration: as 2.7 million/ 112.5% increase within one year is large, the impact on the EU is likely to be significant • Depends on whether migrants find jobs or remain economically inactive or unemployed • Depends on the skills of migrants, e.g. there may be a skills mismatch • Depends on whether migration into the EU is permanent or temporary • Impact on wages depends on whether migrants are skilled or non-skilled or non-working • Net migration / emigration figures are important Costs may include: • Pressure on public services: housing, health, education, social security/ benefit systems – impacts public finances in the long run • Rise in unemployment of domestic workers as they can be displaced by migrants who may be willing to work for low wages • Impact on origin countries e.g. brain drain, loss of workforce, loss of tax revenue to the governments of non-EU countries • Negative externalities/external costs e.g. crime or environmental issues • Increase in the supply of labour can put downward pressure on wages, particularly in low-skilled jobs; this can affect the income levels of workers in the EU and lead to income inequality • Governments may need to reallocate resources to address the needs of migrants, which can divert funds from other important areas		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	Between 2013 and 2023, Iraq's national debt increased from 32% of Gross Domestic Product (GDP) to 49.2% of GDP. Evaluate the disadvantages of an increase in a country's national debt. Refer to a country of your choice in your answer. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of national debt Costs may include: • Rising national debt implies a fiscal deficit that has been mainly caused by recession in the country (Iraq); reflects disequilibrium between government spending and tax revenues which leads to structural issues in the long run • Higher interest payments represent costs to future generations. Less money will be available for spending on social services and they face high opportunity cost of interest payments • Higher national debt implies increased interest payments: danger of financial crowding out. Higher interest rates reduce private sector investment • Rising national debt leads to a loss of confidence in the currency that may cause a fall in its value and result in cost-push inflationary pressures • Possibility of the need to seek assistance from international organisations e.g. the IMF and other countries • Reduction in the country's credit rating and higher future borrowing costs; leads to a significant loss of confidence in markets resulting in a fall in FDI • Increase in taxation/reduction in public expenditure in the future resulting in a fall in disposable incomes or reduction in public services and welfare payments (could increase income inequality) • Rising national debt could lead to inflationary pressures. If debt becomes too high, there may be insufficient investors to buy government securities. Thus, the government may have to fill the shortfall in revenue by printing money and increasing the money supply • Increase in foreign currency gap as the country may have insufficient currency to meet interest repayments if any part of the national debt is held by foreigners N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is C <i>A is not correct because this will not lead to an increase in globalisation</i> <i>B is not correct because this will not lead to an increase in globalisation</i> <i>D is not correct because this will not lead to an increase in globalisation</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because QE would reduce unemployment</i> <i>C is not correct because QE would lead to an increase in the money supply</i> <i>D is not correct because QE would increase the rate of economic growth</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because this is not a government policy to control TNCs</i> <i>B is not correct because this is not a government policy to control TNCs</i> <i>C is not correct because this is not a government policy to control TNCs</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because there is a fiscal deficit in 2021</i> <i>C is not correct because there is a fiscal deficit throughout the given period</i> <i>D is not correct because there is a fiscal deficit throughout the given period</i>	(1)

Section B

Question	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. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • \$22.4 billion x 1.321 (1) • \$29.59 billion (1) NB Award 2 marks for correct answer (\$29.59 billion / \$29.6 billion / \$30 billion) NB Award only 1 mark for \$29.59 / \$29.6 / \$30	(2)

Question	Explain what is meant by 'absolute poverty' (Extract A, line xx). Answer	Mark
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding absolute poverty, e.g.: • When a person earns less than \$2.15 per day (accept \$1.90) (1) based on 2017 PPPs (1) • When a person is unable to meet the basic necessities (1) for e.g. food, shelter, clothing, sanitation, etc. (1) Application Up to 2 marks for application to absolute poverty, e.g.: • Between 2016 and 2022, the number of people living in absolute poverty decreased from 9.2% (1) of the country's population to 4.2% (1) / Between 2016 and 2022, the number of people living in absolute poverty decreased by 5.0 percentage points (1+1)	(4)

Section B

Question	With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • $2.71/4.18$ (1) • $\times 100 = 64.8$ (1) N.B. Award 2 marks for the correct answer	(2)

Question	Analyse two reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4-5). Answer	Mark
7(b)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for knowledge of two reasons: Taiwanese firms have: • access to cheap labour (1) • access to a large Chinese market (1) Application Up to 2 marks for application to the reasons: • China is Taiwan's most important trading partner (1) • China is main destination for Taiwan's exports (1) • Much of Taiwan's foreign direct investment also goes to China (1) • Over 100 000 Taiwanese firms have moved to China (1)	(6)

	- An accurately labelled cost/revenue diagram showing change in revenue or costs (1) and increase in profits of Taiwanese firms (1) Analysis 1 mark for a linked explanation of each reason (1+1): - Lower cost of production for firms, lower export prices and increase in international competitiveness (1) - Greater customer base and therefore higher revenue/sales and market share (1)	
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Question	Answer	Mark
7(c)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding of a tariff, e.g.: - A tax (1) on imported goods (1) 1 mark for identification that tariff is a type of restriction on free trade/protectionist policy Application Up to 2 marks for application to a tariff, e.g.: - US imposed tariffs on several Chinese-made goods in 2018 (1) - The average tariff is 19.3% on US imports from China (1) - An accurately labelled tariff diagram (2)	(4)

Question	With reference to Figure 2 and Extract A, examine two likely economic benefits to Vietnam of FDI inflows.	Mark
	Answer	
7(c)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two effects and up to 2 marks for linked explanations, e.g.: - Higher economic growth in Vietnam (1K) due to greater injections into circular flow of income/increase in aggregate demand (1AN) - Higher employment/lower unemployment in Vietnam (1K) thus increasing incomes/reducing absolute poverty (1AN) - Improvement in Vietnam's balance of payments (1K) as there will be greater inflows into the financial account (1AN) - Higher tax revenue to the Government of Vietnam (1K) from higher corporation tax from TNCs/can be used to improve the country's infrastructure/improve public finances (1AN) - Greater productivity through technology transfer as new methods of production/working practices are implemented (1K) will shift Vietnam's LRAS, increasing potential output (1AN) - Promotes economic development (1K) as the FDI inflows can help close the country's savings gap/foreign exchange gap (1AN) - Greater skills/productivity of Vietnam's workforce (1K) if the TNCs decide to invest in training programmes (1AN) Application 1 mark for application to Figure 2, e.g.: - FDI into Vietnam increased each year / Japan was the largest source of FDI into Vietnam / FDI inflows into Vietnam from Japan amount to \$3.4 billion / Sources of FDI include Japan, Singapore, China, Denmark and South Korea / TNCs from all countries invested over £1 billion in Vietnam (1) AND 1 mark for application to Extract A, e.g.: 962 new FDI projects in the first five months of 2022 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 (1)	(8)

Evaluation

Up to 2 marks for evaluative comments **(1+1) or (2+0)**:

- Impact on economic growth depends on the value of the multiplier and/or the level of spare capacity in the economy **(1)**
- Poorly paid employment and low-skilled jobs **(1)** if TNCs bring their own skilled workers and managers from abroad e.g. Denmark **(1)**
- Could result in exploitation of workers in Vietnam **(1)** as TNCs may offer them low wages/poor working conditions **(1)**
- Employment may not rise/unemployment may not fall if investment is made in capital intensive industries **(1)** resulting in less derived demand for labour **(1)**
- Inflationary pressures are likely to increase **(1)** as a result of an increase in aggregate demand **(1)**
- Negative impact on the current account of balance of payments **(1)** due to the repatriation of profits and dividends by TNCs **(1)**
- Higher competition for domestic producers who may not be able to compete with TNCs from Japan/South Korea **(1)** who may benefit from significant economies of scale **(1)**
- Tax avoidance schemes/transfer pricing could be used by these TNCs **(1)** thereby reducing government tax revenues **(1)**
- Negative production externalities **(1)** as TNCs may contribute to greater pollution **(1)**
- TNCs may exert political influence **(1)**, e.g. on the tax policies of Vietnam's Government **(1)**
- Firms in Vietnam may not benefit if technologies of other countries e.g. South Korea are protected by patents **(1)** and may not benefit from dynamic efficiency/technical economies of scale **(1)**
- Increased dependence of Vietnam on decisions made by managers abroad **(1)**; may be significant if the investment is withdrawn in the future: can reduce economic development (TNCs are footloose) **(1)**
- Overall impact depends on net FDI **(1)** as effects are likely to be highly insignificant if FDI inflows are less than FDI outflows **(1)**
- FDI inflows as a proportion of GDP are likely to be more significant than absolute values **(1)**
- High costs of bureaucracy/weak physical infrastructure/labour shortages **(1)** could restrict FDI into Vietnam in the long-term/creates uncertainty on the impact of the benefits of FDI **(1)**
- The magnitude of FDI - 32.1% in 2023 - is large **(1)** so will bring significant economic benefits to Vietnam **(1)**



Question	With reference to Figure 1 and the first paragraph of Extract A, examine two factors that contributed to 'increased globalisation'.	Mark
	Answer	
7(b)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two factors and 1 mark for each linked development, e.g.: • Reduced cost of transport (1K): through containerisation/fuel efficient modes of transport/better infrastructure (1AN) • Reduced cost of communications (1K): through internet, mobile technology and other technological advances have made it easier to communicate/make payments/share information (1AN) • Increased significance of TNCs (1K): they entered new markets and invested significantly in expanding abroad to increase sales /revenues/profits (via offshoring and outsourcing) (1AN) • Political change/breakdown of the Soviet system and opening up of China (1K): opened up previously closed economies to the world market/greater access to resources (1AN) Application Up to 2 marks for application to Figure 1, e.g.: • Between 1980 and 2020, world exports, as a % of GDP, rose from 20% (1) to 26.3% (1) / 6.3 percentage points (1+1) Evaluation Up to 2 marks for evaluative comments (2+0 or 1+1): • Prioritisation/significance of factors discussed e.g. reduced cost of transport is the most important (1) as there has been a large increase in container volumes in the last 50 years (1) • Different impact on different countries (1) e.g. most landlocked countries have not benefited as much from containerisation as compared with those countries with access to seaports (1) • Many people in developing countries are excluded from benefits of the internet or mobile technology as they live in poverty (1), are illiterate or have no access to computer systems (1) • Delays/uncertainty in global shipping (1) are encouraging some TNCs to reshore production/simplify their supply chains (1) • Difficult to identify one main factor that contributed to increased globalisation (1) likely to be combination of/multiple factors (1) • Time: globalisation has slowed (1) between 2011 and 2020 (1) • Other factors may be significant (1) e.g. fall in protectionism (1)	(8)



Section C

Question	Between 1980 and 2020 it was estimated that total global shipping container volumes increased from 100 million tonnes to 2 billion tonnes. Evaluate factors that have contributed to increased globalisation in the last 50 years. Refer to examples of countries in your answer. Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding/definition of globalisation • Reduced cost of transport because, e.g. ○ Technical efficiencies are demonstrated through containerisation in freight ships and lorries ○ Transport/volume economies of scale – larger planes and ships have reduced average transportation cost in the long run ○ Increase in fuel efficiency in the use of planes, ships and trains which reduce transport fuel cost ○ Better transport infrastructure across the world – airports, seaports, road and rail networks • Trade liberalisation: reduction in trade barriers linked to the work of WTO; application of law of comparative advantage and link to specialisation • Increased number and size of trading blocs: application to trade creation • Reduced costs of communication: e.g. internet, mobile technology and other technological advances have made it easy to communicate/share information; introduction of new electronic payment systems • Political change: opening up of previously closed economies to the world market, e.g. breakdown of the Soviet system and opening up of China • Increased significance of TNCs: have entered new markets and invested significantly in expanding abroad to increase sales/revenues/profits (via offshoring and outsourcing) • Opening up of global financial markets: this has included removal of capital controls in many countries allowing for more FDI and/or repatriation • High and rising real incomes in many countries have resulted in an increase in demand for imports due to higher marginal propensity to import



		Increased movement of people between countries – immigration and/or emigration N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to examples of countries in their answer
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.



Evaluation (8 marks) – indicative content • Prioritisation and significance of factors/arguments discussed, e.g. reduced cost of transport is most important – 1900% increase in container volumes • Costs of transport: ○ Different impact on different countries, e.g. landlocked countries are not going to benefit as much from containerisation as compared to those countries with access to seaports ○ Inadequate infrastructure: smaller countries do not have seaports for larger ships; they have to resort to air cargo – fall in the cost per unit is not as significant for these countries ○ Due to global health crisis freight cost has increased significantly • Trade liberalisation: Trade talks of Doha round, started in 2001, have been unsuccessful in reducing trade barriers/WTO also less successful in reducing non-tariff barriers/Deglobalisation resulting from the Global Financial Crisis 2008 or other external shocks • Number and size of trading blocs: countries are leaving trading blocs (e.g. UK and the EU) and threatening to leave (Grexit, Italeave, etc) • Political change: Slowbalisation resulting from trade wars between countries (e.g. China versus USA) • Cost of communications: many people in developing countries are excluded from benefits from internet or mobile technology due to being poor (living in poverty), being illiterate or having no access to computer systems • There is unlikely to be one significant factor, but a combination of factors that has increased globalisation over the last 50 years • Significance of factors change overtime, e.g. disruption to supply chains as a result of the global health crisis 2020 is more important than other factors / shortages of labour have resulted in shortages of goods and hence lass trade		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	In 2020 the European Union imposed retaliatory tariffs of 25% on many US goods in a dispute over aircraft subsidies. Evaluate possible reasons why developed countries might restrict free trade. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of restrictions on free trade • Answers may incorporate a tariff diagram Possible reasons include: • to protect infant industries: these industries will not be able to compete with larger powerful TNC's because they are not yet established and are too small to benefit from economies of scale • to protect geriatric industries: these industries need time to restructure and rationalise production which would allow them to become competitive again • to protect employment: cheap imports reduce jobs as domestic production would fall; as imports fall aggregate demand increases leading to a rise in domestic output and employment • to protect national security: a particular product/industry, such as agriculture and steel, may be of strategic importance to a country especially in times of a crisis or conflicts/perhaps due to political or military reasons • to prevent dumping: some countries export goods in foreign markets at prices below average costs of production; domestic firms cannot compete with these lower prices – form of predatory pricing that distorts comparative advantage • to correct a deficit on the current account of the balance of payments: helps reduce the imbalance between the value of exports and the value of imports; higher price of imports make them less competitive in relation to its exports • to raise revenue: governments can use the tax revenue earned from the tariff towards supporting the domestic industries; it will be most successful where the demand for imports is price inelastic • to limit imports from countries whose health and safety, and environmental laws are weak: it is assumed that some countries do not have strict laws and therefore may produce unsafe goods at a lower average cost

Question	In the first quarter of 2022 the USA and Australia both experienced inflows of foreign direct investment (FDI) \$67 billion and \$59 billion respectively Evaluate the potential economic benefits to a developed country of FDI inflows. Indicative content	
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of FDI Economic benefits could include: • Inflows into the financial account of the balance of payments • Long term improvement on the current account of balance of payments if exports rise (a rise in foreign currency earnings) • Economic growth - greater injection into the circular flow; AD/AS analysis and multiplier effects on real GDP • Increase in skills of the workforce if TNCs invest in training programmes • Increased employment in the host country • Development of new infrastructure by TNCs • New methods of production and working practices • Use of cleaner technology resulting in less negative externalities/ environmental degradation • Productivity and technology transfer • Increased tax revenue to government • Could help close the country's savings gap	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.



Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content - Negative impact on the current account of balance of payments due to the repatriation of profits and dividends by TNCs abroad - Higher competition for domestic producers who may not be able to compete - Impact on economic growth depends on the value of the multiplier and/or the level of spare capacity in the economy - Poorly paid employment and low-skilled jobs if TNCs bring their own skilled workers and managers from abroad - Increased dependence of economy on decisions made by managers abroad. Significant if the investment is withdrawn in the future which could lead to economic and social disruption (given TNCs are footloose) - Domestic firms might not benefit if technologies are protected by patents - Increase in negative production externalities/environmental degradation - Tax avoidance schemes and transfer pricing could be used by TNCs - TNCs may exert political influence, e.g. on governments tax policies - Impact on the economy might be small (if there is little value added) - Overall impact depends on net FDI (inflows minus outflows) - FDI inflows as a proportion of GDP is more significant than absolute values e.g. Australia FDI inflows are a larger proportion of GDP compared to USA		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context.

		Evaluation is supported by a logical chain of reasoning.
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Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because this is a non-economic factor B is not correct because this is a non-economic factor C is not correct because this would promote economic growth	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because transfer payments relate to payments made by a government to individuals in the form of benefits B is not correct because this is not an example of day-to-day expenditure D is not correct because this relates to expenditure by individuals in the private sector	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because this relates to a current account surplus C is not correct because this relates to the public finances D is not correct because primary income is a component of the current account	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because this is a possible benefit of globalisation B is not correct because this is a possible benefit of globalisation C is not correct because globalisation may lead to an increase in economies of scale for TNCs	(1)

Question	Answer	Mark
7 (b)	Knowledge 2, Application 2, Analysis 2 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and Analysis Up to 2 marks for identifying two benefits and up to two marks for linked explanations showing the benefits of the growth in the number of tourists, e.g.: • Likely to increase AD as a result of increase in FDI (1) which could lead to increase in economic growth via the multiplier (1) • Create employment as tourism is a labour-intensive industry (1) raising incomes/living standards, and therefore increasing HDI/ economic development (1) • Increased tax revenues for the government from higher profits, incomes, expenditure by the tourists (1) may be used to reduce fiscal deficit/fund spending on public services (1) • Helps attract FDI by TNCs (1) who might invest in infrastructure, hotels and associated services, increasing LRAS (1) • Important source of foreign exchange (1) as tourists spend on goods/services provided in the local economy and this helps fill the foreign exchange gap (1) • Improvement in the balance of payments position (1) through the inflows into the capital and financial account as a result of the FDI / inflows into current account as a result of tourists spending (1) Application Up to 2 marks for application to tourism, e.g.: • Figure1: the number of tourist arrivals increased from 0.99m in 2013 to 1.34m in 2017 (1) • Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector (1) • Earnings from tourism exceeded \$1 billion (1) • Sector is expected to grow by an average of 6% every year between 2018 and 2023 (1) • Tourism contributes nearly 7% of Mauritius' GDP (1)	(6)

Question	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. Answer	Mark
7(c)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two benefits and up to 1 mark for linked explanation of each benefit, e.g.: • More tourists result in more spending on goods/services in the local economy (1K) and this will help to fill the foreign exchange gap/greater foreign exchange (1AN) • Increase in the rate of economic growth (1K) as a result of an increase in (X-M) component of AD/greater injections (1AN) • Improvement in the balance of trade (1K) as a result of an increase in invisible exports (1AN) • Increase in employment/decrease in unemployment (1K) leading to higher real incomes/standard of living (1AN) • More FDI by TNCs (1K) hence more investment in infrastructure, hotels, and associated services (1AN) • More tax revenue for the government from higher expenditure by the tourists (1K) is available to reduce inequality through income redistribution/preserve national heritage (1AN) Application Up to 2 marks for application to the source (1+1), e.g.: • Each of these Governments have relaxed border controls that were introduced during the global health crisis (1) • Between February 2022 and May 2022, Indonesia experienced a 1 050% increase in the number of tourists (1) • During the same period Vietnam experienced an 8 629% increase in the number of tourists (1) Evaluation Up to 2 marks for evaluative comments: • Benefits are likely to be significant (1) as there has been a very large increase in tourist numbers in Indonesia and Vietnam (1) • Impact will be felt differently for different countries, e.g. Vietnam may benefit more as tourist numbers are 7 579 percentage points higher than Indonesia (1+1) • Benefits may only last for a short time (1) if border controls are reintroduced due to re-emergence of the global health crisis / if other countries open their borders (1) • More tourists will increase external costs (1) as there will be more pollution/waste/environmental damage (1)	(8)

	• Tourism is a labour-intensive industry (1) so will have a significant impact on employment (1) • Demand for tourism changes at different times of the year (1) therefore employment may not be permanent/may be seasonal unemployment (1) • Benefits of tourism may be reduced if TNCs use transfer pricing (1) to move profits out of the country (1) • Could lead to inflationary pressures as a result of an increase in AD (1) hence reducing purchasing power/living standards (1)	
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Question	Answer	Mark
7(d)	Analyse why Thailand and Singapore 'are experiencing low rates of economic growth' (Extract A, line 22). Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application and analysis 1 mark for identifying one reason for each country and one mark for each linked explanation and application, e.g.: • Thailand: ◦ the rate of inflation is rising faster than the GDP growth rate / fall in real income (1AP) results in a ◦ fall in consumption/consumer demand/consumer spending (1K) causing ◦ AD/real output to decrease (1AN) • Singapore: ◦ slowdown in China's economy (1AP) leads to a ◦ fall in exports to China/less imports from China/fall in net exports (1K) ◦ resulting in a decrease in AD/real output/injections into the circular flow of income (1AN) NB Decrease in AD/real output can be shown on an accurately drawn and labelled diagram	(6)

Question	Evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of globalisation Benefits of globalisation include: • Application of the law of comparative advantage: an explanation leading to specialisation, trade, increased world output and higher living standards • Consumers: Lower prices (increased consumer surplus); more choice and variety – increase consumer surplus and more allocative efficiency • Firms: Larger markets; benefits arising from different economies of scale leading to higher revenues/profits • Greater technology transfer and sharing of new managerial techniques • Increase in tax revenues which could be utilised by the government for expenditure on public services • Reduction in absolute poverty in LEDCs who have experienced an increase in their real GDP • Labour migration reduces geographical inequality - e.g. in the EU, Eastern European workers migrating to Western Europe for work • Increased competition: firms have incentives to increase their productive efficiency (such as reducing production costs) • Higher earnings at the top of the income distribution will finally lead to more income and wealth for everyone (trickle-down theory) N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer N.B. Candidates may include benefits of globalisation as KAA and costs of globalisation as Evaluation (and vice versa)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

Costs of globalisation include:

- Over-dependence on imports leading to a deterioration of the country's current account position of the balance of payments
- Exploitation of labour; e.g. children and women, lower wages and longer working hours, poor health and safety conditions
- Negative externalities/external costs arising from increased trade e.g. from increased production or from air freight/shopping – causing pollution
- Increase in consumption of non-renewable resources: will makes it harder for future generations to achieve sustainable economic growth
- Increased inequality between developed economies and LEDCs; and also within developed/developing countries
- Free movement of labour can result in excess pressure on social services and housing; could also lead to brain drain
- Displaced workers due to closing down of traditional domestic industries
- TNCs might engage in tax avoidance policies or transfer pricing causing a reduction in tax revenues for governments
- Increased risk of economic contagion, more susceptible to global economic crisis e.g. global economic crisis 2008 and global health crisis, affecting countries that were especially reliant on trade
- Constraints in the supply chain and shortages of goods as a result of the global health crisis 2020, affecting countries who were reliant on imports
- There is very little evidence that trickle-down theory works in practice

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	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. Indicative content	
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of globalisation • Understanding of income inequality Reasons may include: • Inward migration of low-skilled workers may depress wage rates and could widen the wage gap between skilled or semi-skilled, and unskilled workers who are likely to experience a reduction in their relative wage • Skilled workers can earn higher incomes as there will be increased global demand for their services • Workers who are mobile and who have the skills can move from declining to expanding industries • Workers who lack the skills and occupational mobility are likely to face structural unemployment • Businesses may gain greater profits as they are able to locate to low-cost countries, and therefore workers in developed economies may be made redundant N.B. Accept why globalisation increases income inequality as KAA and why it does not as EV, or vice versa N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country(s) in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context.

		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Improvements in labour mobility as a result of globalisation might help to reduce income inequality • Economic growth resulting from globalisation could lead to an increase in tax revenue for governments that may be spent on raising incomes of low-income groups • TNCs usually spend on training, so human capital may increase resulting in a decrease in unemployment and income inequality • Higher profits of businesses can be used to raise wages of unskilled workers • Increased protectionism may be reducing the impact of globalisation on income inequality • Higher average incomes associated with globalisation might not necessarily result in increased income inequality i.e. the impact is unlikely to be the same for different countries • Other factors are more important than globalisation in causing inequality		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	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. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of the depreciation of an exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Pakistan is relatively higher than elsewhere, then Pakistan's exports will become less competitive, and there will be a fall in demand for rupee. Hence, higher inflation rates will lead to a depreciation of the rupee • Relative interest rates – e.g. if Pakistan's interest rate falls relative to other countries, it will become less attractive to deposit money in Pakistan. There will be less hot money flows and the demand for the rupee will fall, and the currency would depreciate • Speculation – e.g. if speculators believe the rupee will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to a fall in exchange rate and the rupee will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Pakistan's Government may default on its debt, then investors would sell their bonds causing a fall in the value of the rupee exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate – e.g. if prices of commodities fall, the exchange rate of exporting countries will depreciate (reference to "commodity currencies") • Macroeconomic management – e.g. quantitative easing/asset purchases has caused a depreciation in the value of some currencies such as Chile, Poland • Allow analysis based on government/central bank manipulation of exchange rate through the buying and selling of the currency • Political instability/capital flight/reduction in FDI might result in depreciation