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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Trade and the global economy (4.3.2)

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

49 questions · 343 marks · Mark schemes included

Past papers October 2020 - June 2025 · 5 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
4.3.2.1 SPECIALISATION AND COMPARATIVE ADVANTAGE		7 Qs · 26 marks	3
1. Q1	IAL Unit 4 October 2020	1	4
2. Q6	IAL Unit 4 January 2021	1	5
3. Q5	IAL Unit 4 January 2022	1	6
4. Q5	IAL Unit 4 June 2023	1	7
5. Q4	IAL Unit 4 October 2024	1	8
6. Q3	IAL Unit 4 January 2025	1	9
7. Q9	IAL Unit 4 October 2021	20	10
4.3.2.2 PATTERNS AND VOLUME OF WORLD TRADE		6 Qs · 77 marks	11
8. Q4	IAL Unit 4 June 2023	1	12
9. Q7(a)	IAL Unit 4 (unused) January 2022	2	13
10. Q7(e)	IAL Unit 4 (unused) January 2022	14	17
11. Q8	IAL Unit 4 October 2021	20	23
12. Q9	IAL Unit 4 January 2024	20	24
13. Q8	IAL Unit 4A June 2025	20	25
4.3.2.3 TERMS OF TRADE		16 Qs · 68 marks	26
14. Q3	IAL Unit 4 June 2021	1	27
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18. Q5	IAL Unit 4 (unused) January 2022	1	31
19. Q6	IAL Unit 4 June 2022	1	32
20. Q6	IAL Unit 4 October 2022	1	33
21. Q6	IAL Unit 4 January 2024	1	34
22. Q4	IAL Unit 4 June 2024	1	35
23. Q5	IAL Unit 4 June 2025	1	36
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25. Q4	IAL Unit 4A June 2025	1	38
26. Q7(a)	IAL Unit 4 June 2023	2	39
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4.3.2.4 TRADE LIBERALISATION AND TRADING BLOCS		8 Qs · 87 marks	51
30. Q5	IAL Unit 4 January 2025	1	52



QUESTION	SOURCE	MARKS	PAGE
31. Q7(c)	IAL Unit 4 January 2022	4	53
32. Q7(d)	IAL Unit 4 June 2025	6	58
33. Q7(d)	IAL Unit 4 January 2022	8	63
34. Q7(e)	IAL Unit 4 June 2021	14	69
35. Q7(e)	IAL Unit 4 June 2025	14	75
36. Q8	IAL Unit 4 January 2023	20	81
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4.3.2.5 RESTRICTIONS ON FREE TRADE		12 Qs · 85 marks	83
38. Q5	IAL Unit 4 October 2020	1	84
39. Q4	IAL Unit 4 October 2021	1	85
40. Q5	IAL Unit 4 January 2023	1	86
41. Q3	IAL Unit 4 June 2024	1	87
42. Q6	IAL Unit 4 January 2025	1	88
43. Q7(c)	IAL Unit 4 (unused) January 2022	4	89
44. Q7(c)	IAL Unit 4 June 2022	4	93
45. Q7(c)	IAL Unit 4 June 2025	4	98
46. Q7(d)	IAL Unit 4 June 2022	8	102
47. Q9	IAL Unit 4 January 2022	20	108
48. Q10	IAL Unit 4 October 2022	20	109
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QUESTIONS

49 questions · 343 marks · 5 sub-topics

SUB-TOPIC 4.3.2.1

SPECIALISATION AND COMPARATIVE ADVANTAGE

Sub-topic 4.3.2.1 · 7 questions · 26 marks · lowest tariff first



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** India specialises in services while China specialises in manufacturing.

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

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

(Total for Question 1 = 1 mark)



- 5 In 2019 India's international competitiveness rank was 10 places lower than it was in 2018.

Which **one** of the following is the most likely reason for this fall in India's international competitiveness?

- ☐ A A decrease in its inflation rate relative to other countries
- ☐ B A decrease in its unit labour costs relative to other countries
- ☐ C A decrease in its labour productivity relative to other countries
- ☐ D A decrease in its transportation costs relative to other countries

(Total for Question 5 = 1 mark)

- 6 The table shows the maximum possible production of cars and lorries by Country A and Country B in a given year.

Country	Cars		Lorries
A	40 000	OR	20 000
B	16 000	OR	16 000

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

- ☐ A Both countries will not benefit from specialisation and trade
- ☐ B Country A has a comparative advantage over Country B in the production of cars and lorries
- ☐ C Country B has an absolute advantage over Country A in the production of cars and lorries
- ☐ D Country B has a lower opportunity cost of producing lorries whereas Country A has a lower opportunity cost of producing cars

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 5 The table shows the maximum production possibilities for Country X and Country Y in a given year.

Country	Bags		Shoes
X	80 000	OR	80 000
Y	35 000	OR	35 000

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

- ☐ A Neither country will benefit from specialisation and trade
- ☐ B Country X has a comparative advantage over Country Y in the production of bags and shoes
- ☐ C Country Y has an absolute advantage over Country X in the production of bags and shoes
- ☐ D There is no opportunity cost for either country in producing bags or shoes

(Total for Question 5 = 1 mark)

- 6 Between September 2019 and September 2020, Australia's export prices decreased by 9.9% and import prices decreased by 5.7%.

If September 2019=100, what was Australia's terms of trade in September 2020?

- ☐ A 57.58
- ☐ B 95.55
- ☐ C 104.66
- ☐ D 173.68

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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

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

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

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

(Total for Question 5 = 1 mark)



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

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

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

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

(Total for Question 4 = 1 mark)

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

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

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

(Total for Question 5 = 1 mark)



3 Ireland specialises in services while Japan specialises in manufacturing.

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

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

(Total for Question 3 = 1 mark)

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

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

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

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

(Total for Question 4 = 1 mark)

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

- 8** In 2019 the rate of economic growth was over 6% in both India and China.

Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.

Evaluate the possible benefits of specialisation and trade to a developed country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(Total for Question 10 = 20 marks)



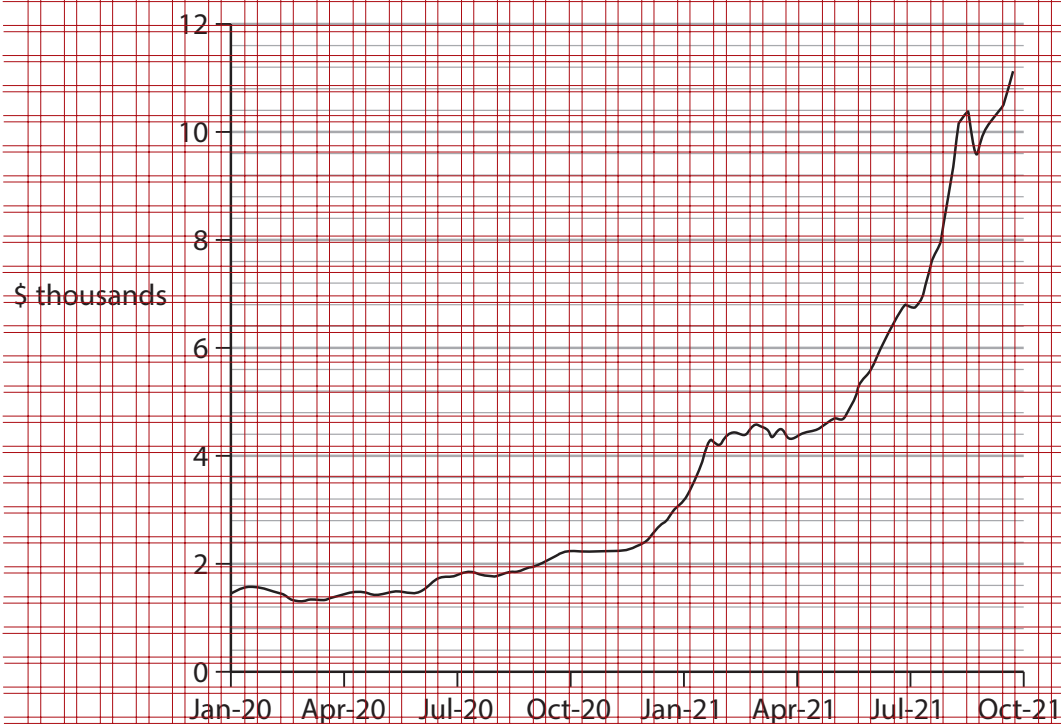
SUB-TOPIC 4.3.2.2

PATTERNS AND VOLUME OF WORLD TRADE

Sub-topic 4.3.2.2 · 6 questions · 77 marks · lowest tariff first



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



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

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

(Total for Question 4 = 1 mark)

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.

- (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)



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)
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Vietnam*	0.15	0.20	0.38	0.49	0.41

* represents Southeast Asian countries



Extract A Economic independence

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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.

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- investment in infrastructure to ensure the continuous provision of gas, electricity and water supply
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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.

(14)





(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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

- 8** In 2019 the rate of economic growth was over 6% in both India and China.

Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.

Evaluate the possible benefits of specialisation and trade to a developed country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

Write your answer to your FIRST chosen question on page 17.

Write your answer to your SECOND chosen question on page 22.

- 8** Between 2007 and 2022 income inequality increased in both Sweden and the USA.

Evaluate possible causes of an increase in income inequality within a developed country of your choice.

(Total for Question 8 = 20 marks)

- 9** According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased.

Evaluate factors influencing patterns of trade between countries.

(Total for Question 9 = 20 marks)

- 10** In South Sudan HDI was 0.43 in 2010 and 0.39 in 2022.

Evaluate market-orientated strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)



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 4.3.2.3

TERMS OF TRADE

Sub-topic 4.3.2.3 · 16 questions · 68 marks · lowest tariff first



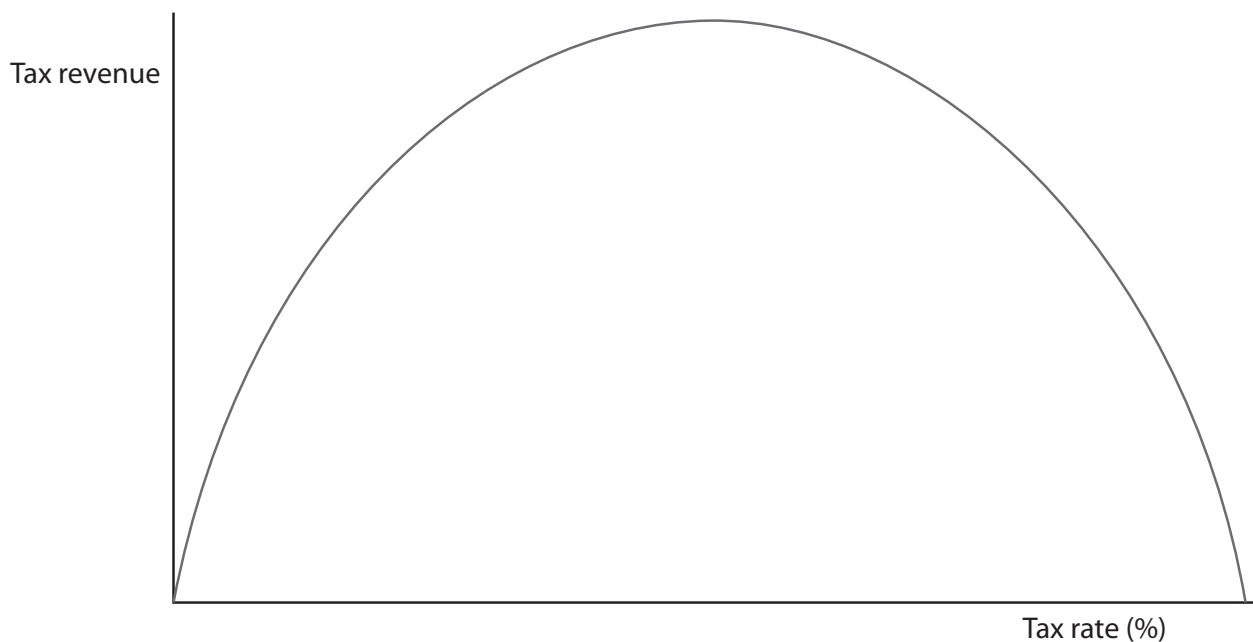
3 In 2018 the value of oil exports accounted for 85% of Nigeria's GDP.

Which **one** of the following is most likely to result from a fall in world oil prices?

- ☐ A A deterioration in Nigeria's current account deficit
- ☐ B An improvement in Nigeria's terms of trade
- ☐ C An increase in transportation costs in Nigeria
- ☐ D A reduction in Nigeria's budget deficit

(Total for Question 3 = 1 mark)

4 The diagram illustrates the relationship between tax rate (%) and government tax revenue.



Which **one** of the following models is represented by this relationship?

- ☐ A The J-curve
- ☐ B The Phillips curve
- ☐ C The Lorenz curve
- ☐ D The Laffer curve

(Total for Question 4 = 1 mark)

6 The table shows Afghanistan's terms of trade between 2015 and 2017 (2000=100).

Year	Terms of trade
2015	154.4
2016	163.8
2017	169.0

Ceteris paribus, which **one** of the following can be deduced from the data?

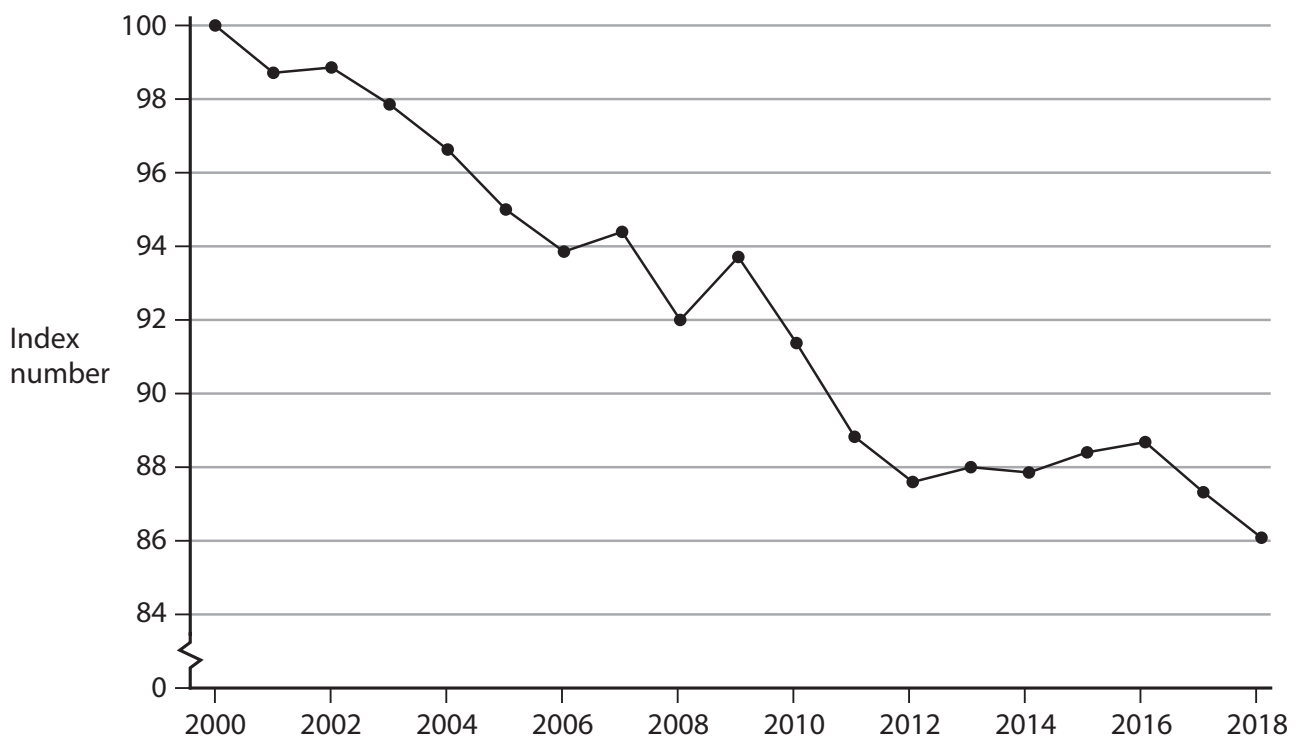
- ☐ **A** The value of Afghanistan's imports have risen relative to the value of its exports
- ☐ **B** The average price of Afghanistan's exports have fallen relative to the average price of its imports
- ☐ **C** Afghanistan is likely to experience an improvement in its living standards
- ☐ **D** Afghanistan is likely to experience a deterioration in the financial account of the balance of payments

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



5 The chart shows Austria's terms of trade between 2000 and 2018, (2000 = 100).



Which **one** of the following can be deduced from the chart over the period 2000–2018?

- ☐ A Export prices and import prices have fallen at the same rate
- ☐ B Import prices have risen at a faster rate than export prices
- ☐ C Export prices have risen at a faster rate than import prices
- ☐ D Import prices have fallen relative to export prices

(Total for Question 5 = 1 mark)

- 5 The table shows the maximum production possibilities for Country X and Country Y in a given year.

Country	Bags		Shoes
X	80 000	OR	80 000
Y	35 000	OR	35 000

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

- ☐ A Neither country will benefit from specialisation and trade
- ☐ B Country X has a comparative advantage over Country Y in the production of bags and shoes
- ☐ C Country Y has an absolute advantage over Country X in the production of bags and shoes
- ☐ D There is no opportunity cost for either country in producing bags or shoes

(Total for Question 5 = 1 mark)

- 6 Between September 2019 and September 2020, Australia's export prices decreased by 9.9% and import prices decreased by 5.7%.

If September 2019=100, what was Australia's terms of trade in September 2020?

- ☐ A 57.58
- ☐ B 95.55
- ☐ C 104.66
- ☐ D 173.68

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 5 The table shows Maldives' index of export prices and index of import prices between 2015 and 2018, (2000=100).

Year	Index of export prices	Index of import prices
2015	157.2	156.0
2016	154.2	150.5
2017	168.6	156.8
2018	179.2	166.6

Ceteris paribus, which **one** of the following can be deduced from this table?

- ☐ **A** Between 2000 and 2018 Maldives' terms of trade improved by 7.6%
- ☐ **B** Maldives had to export the same amount of goods to purchase a given quantity of imports each year
- ☐ **C** Maldives' index of import prices exceeded its index of export prices throughout the given period
- ☐ **D** Between 2000 and 2016 Maldives' terms of trade worsened by 2.5%

(Total for Question 5 = 1 mark)



5 The table shows the UK's Gross National Income (GNI) between 2018 and 2020.

Year	GNI (£ millions)
2018	2 113 914
2019	2 203 701
2020	2 073 880

(Source: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmz/ukea>)

If 2019 is the base year, what is the index number for 2020?

- ☐ A 94.1
- ☐ B 98.1
- ☐ C 104.2
- ☐ D 106.3

(Total for Question 5 = 1 mark)

6 Between 2000 and 2019 Afghanistan's terms of trade increased by 65%.

Ceteris paribus, which **one** of the following is most likely to have caused an increase in Afghanistan's terms of trade?

- ☐ A Lower relative inflation rates
- ☐ B A decrease in the price of exports
- ☐ C Depreciation of its exchange rate
- ☐ D A decrease in the price of imports

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 5 In May 2021 Canada's central bank aimed to reduce the value of the Canadian dollar against the UK pound sterling.

Which **one** of the following combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling?

	Canadian dollar	UK pound sterling
☐ A	Buy	Buy
☐ B	Buy	Sell
☐ C	Sell	Buy
☐ D	Sell	Sell

(Total for Question 5 = 1 mark)

- 6 Between 2000 and 2020 Pakistan's terms of trade decreased by 43.4%.

Ceteris paribus, which **one** of the following factors is most likely to have caused this decrease in Pakistan's terms of trade?

- ☐ A A higher rate of inflation in Pakistan relative to other countries
- ☐ B The prices of imports into Pakistan increased at a faster rate than the prices of its exports
- ☐ C An appreciation of Pakistan's exchange rate
- ☐ D The prices of Pakistan's exports increased at a faster rate than the prices of its imports

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 6 The table shows Bosnia and Herzegovina's index of export prices and index of import prices between 2018 and 2020, (2000=100).

Year	Index of export prices	Index of import prices
2018	379.7	219.1
2019	354.4	214.2
2020	331.8	191.9

Ceteris paribus, which **one** of the following can be deduced from this table?

- ☐ **A** Between 2000 and 2018 Bosnia and Herzegovina's terms of trade worsened by 73.3%
- ☐ **B** Between 2000 and 2020 Bosnia and Herzegovina's terms of trade improved by 72.9%
- ☐ **C** Bosnia and Herzegovina had to export the same amount of goods and services to purchase a given quantity of imports each year
- ☐ **D** Bosnia and Herzegovina's index of import prices exceeded its index of export prices each year

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 4 In 2021 Tanzania's index of export prices was 142.3 and its index of import prices was 121.3.

Which **one** of the following was Tanzania's terms of trade in 2021?

- ☐ A 21.0
- ☐ B 85.2
- ☐ C 117.3
- ☐ D 263.6

(Total for Question 4 = 1 mark)

- 5 The table shows selected economic data in 2021 for Chile and Uruguay.

	Human Development Index (HDI) value	Mean years of schooling (adults over 25 years old)	Life expectancy at birth (years)	Gross National Income per capita (2017 PPP)
Chile	0.855	10.9	78.9	\$24 563
Uruguay	0.809	9.0	75.4	\$21 269

Which **one** of the following statements can be deduced from the data in the table?

- ☐ A Literacy rates must be higher in Uruguay than in Chile
- ☐ B Uruguay is less economically developed than Chile
- ☐ C Average incomes are higher in Uruguay than in Chile
- ☐ D Uruguay has better provision of healthcare than Chile

(Total for Question 5 = 1 mark)



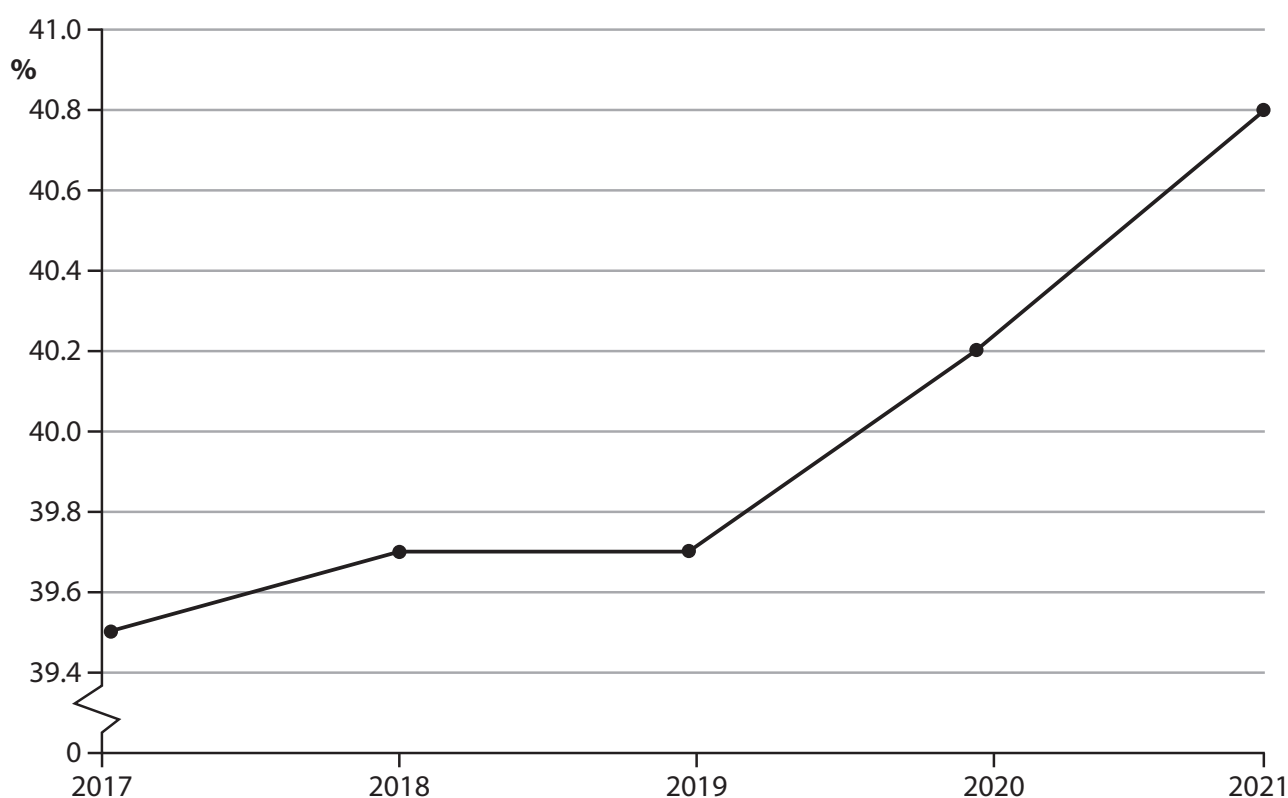
- 5 Between December 2022 and December 2023, Australia's export prices decreased by 4.8% and import prices decreased by 3.1%.

What was Australia's terms of trade in December 2023 if December 2022 = 100?

- ☐ A 64.58
- ☐ B 98.25
- ☐ C 101.79
- ☐ D 154.84

(Total for Question 5 = 1 mark)

- 6 The chart shows Uruguay's Gini coefficient, expressed as a percentage, between 2017 and 2021.



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

- ☐ A Uruguay's Lorenz curve shifted closer to the line of perfect equality
- ☐ B Uruguay experienced perfect income inequality
- ☐ C Uruguay's Lorenz curve shifted away from the line of perfect equality
- ☐ D Income inequality in Uruguay decreased by 1.3 percentage points

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 Which **one** of the following is best explained by the Lewis structural dual-sector model?

- ☐ A Privatisation
- ☐ B Industrialisation
- ☐ C Microfinance schemes
- ☐ D Development of primary industries

(Total for Question 1 = 1 mark)

- 2 In 2023, the value of oil and gas exports accounted for 50% of Saudi Arabia's GDP.

Assuming the demand for oil and gas are price inelastic, which **one** of the following is most likely to result from a fall in world oil and gas prices?

- ☐ A An improvement in Saudi Arabia's terms of trade
- ☐ B A deterioration in Saudi Arabia's current account deficit
- ☐ C A reduction in Saudi Arabia's budget deficit
- ☐ D An increase in transportation costs in Saudi Arabia

(Total for Question 2 = 1 mark)

- 3 Between 2015 and 2022, the Lorenz curve of Zambia moved closer to the line of perfect equality.

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

- ☐ A The Gini coefficient for Zambia had decreased
- ☐ B The Government of Zambia had reduced its highest rate of income tax
- ☐ C The Marshall-Lerner condition had not been met
- ☐ D The rate of unemployment in Zambia had increased

(Total for Question 3 = 1 mark)



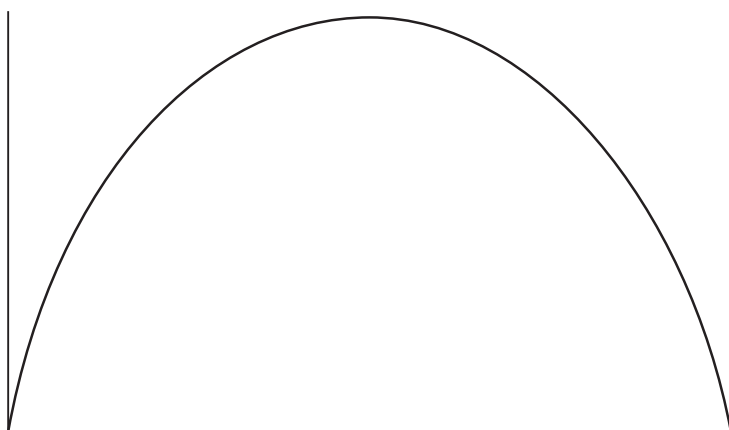
- 4 Between September 2023 and September 2024, Australia's average export prices decreased by 6.8% and their average import prices decreased by 1.1%.

If September 2023 = 100, which **one** of the following was Australia's terms of trade in September 2024?

- ☐ A 6.18
- ☐ B 16.18
- ☐ C 94.24
- ☐ D 106.12

(Total for Question 4 = 1 mark)

- 5 The diagram illustrates the Laffer curve for a developed country.



Which **one** of the following statements is true about the Laffer curve?

- ☐ A It shows the relationship between quantitative easing and the rate of interest
- ☐ B It shows the relationship between the level of investment and the savings ratio
- ☐ C It shows the relationship between the unemployment rate and the rate of inflation
- ☐ D It shows the relationship between tax rates and the government's tax revenues

(Total for Question 5 = 1 mark)

SECTION B

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

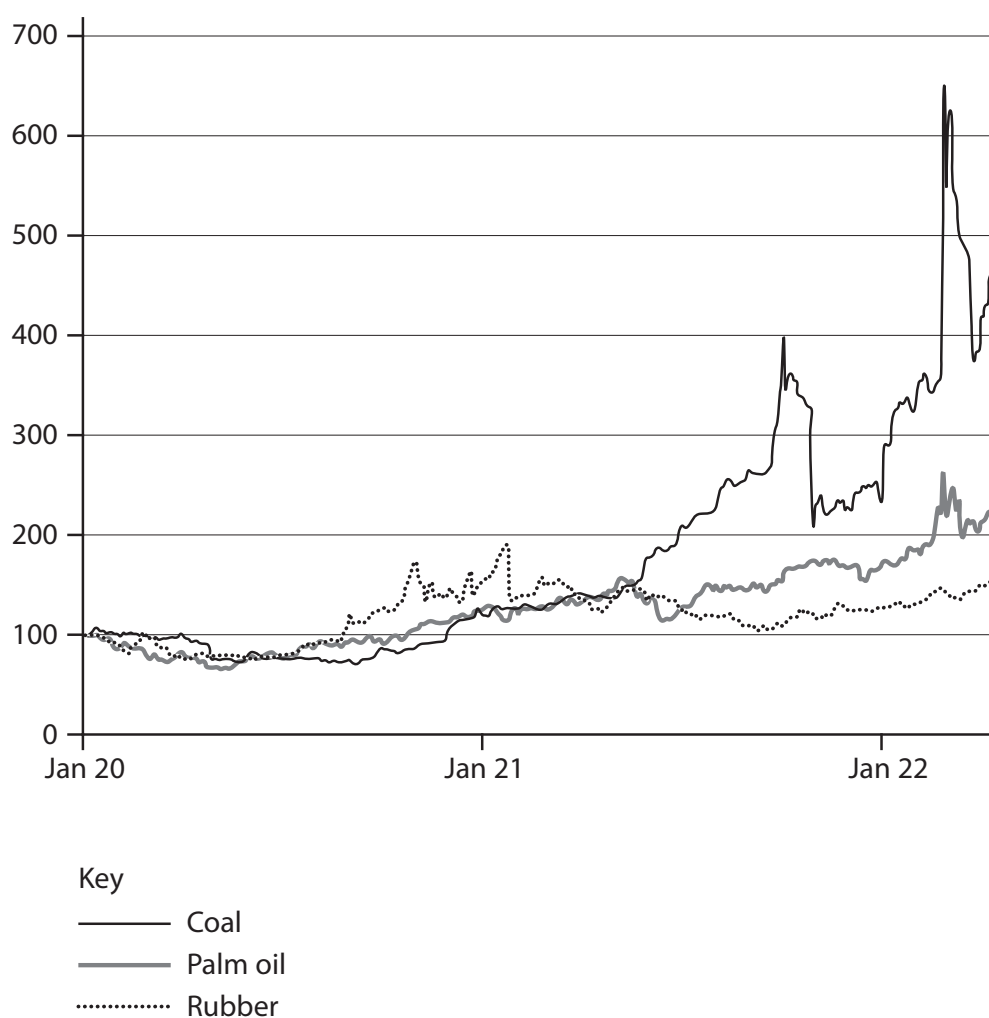
Write your answers in the spaces provided on the following pages.

- 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

(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)



SECTION B

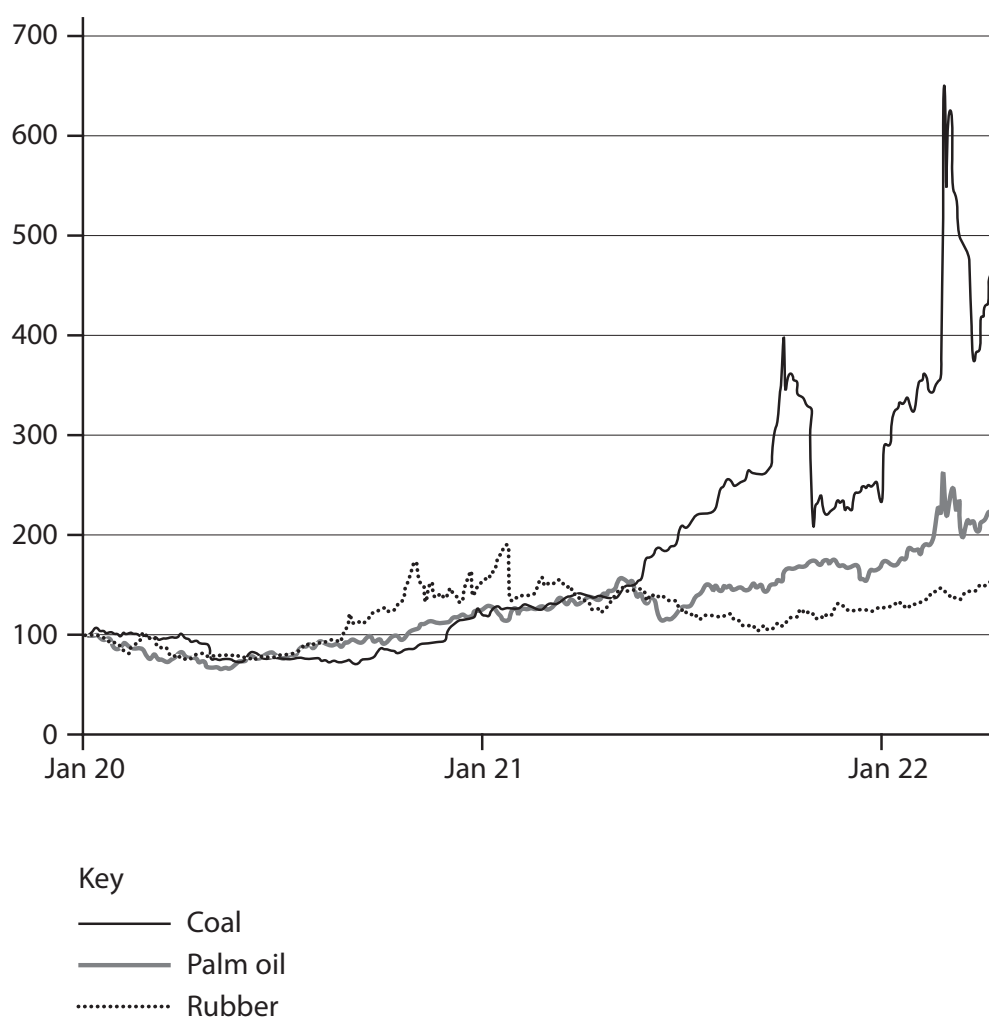
Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

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

(14)



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Handwriting practice area with red grid lines.

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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

- 8** Between 2000 and 2018 Cambodia's terms of trade fell by 31.3%.

Evaluate the macroeconomic effects of a fall in a country's terms of trade on a government's macroeconomic objectives. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2017 Yemen received over \$3 billion of development aid, an increase of almost 200% since 2013.

Evaluate the case for promoting *economic development* through aid. Refer to a developing country in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2012 and 2018 Spain's public expenditure as a proportion of GDP fell from 48.1% to 41.3%.

Evaluate the likely economic effects of a reduction in public expenditure as a proportion of GDP. Refer to a developed country of your choice in your answer.

(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 4.3.2.4

TRADE LIBERALISATION AND TRADING BLOCS

Sub-topic 4.3.2.4 · 8 questions · 87 marks · lowest tariff first



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

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

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

(Total for Question 5 = 1 mark)



SECTION B

Study Figures 1, 2 and 3 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 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working. (2)
- (b) With reference to Figure 3 and Extract A, analyse **two** factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira. (6)
- (c) Explain what is meant by a 'customs union' (Extract A, lines 22–23). (4)
- (d) With reference to the last paragraph of Extract A, examine **two** likely economic benefits to Turkey of joining the European Union. (8)
- (e) With reference to the information provided, discuss the likely economic effects of a further increase in the base interest rate. (14)



Sources for use with Section B

The economy of Turkey

Figure 1 Central bank base interest rate, January 2018 to December 2020

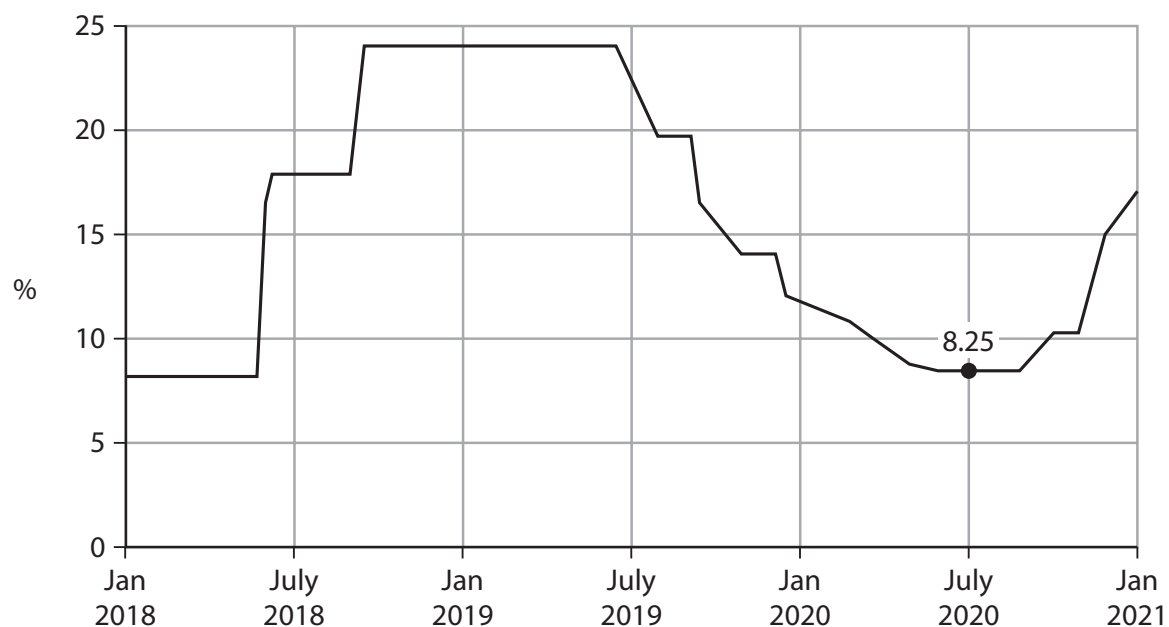


Figure 2 Rate of inflation, as measured by the Consumer Price Index (CPI), January 2018 to December 2020

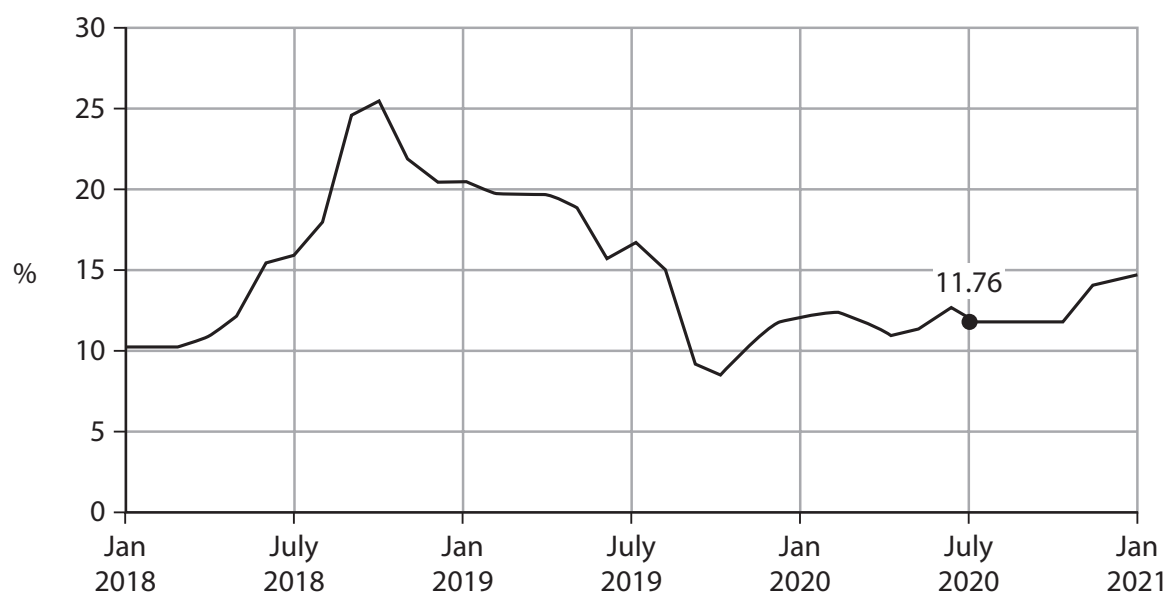
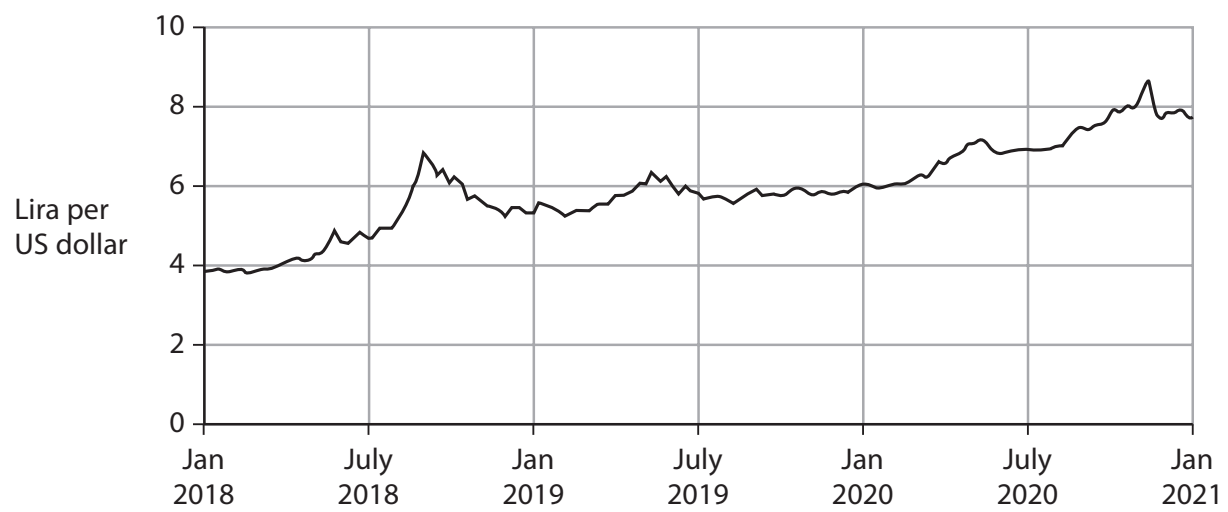


Figure 3 Turkish lira–US dollar exchange rate*, January 2018 to December 2020

* Turkey's currency is known as the Turkish lira

Extract A Currency depreciation

Turkey's President, who controls the Central Bank of Turkey, is an opponent of high interest rates. He dismissed the Central Bank's previous Governor in 2019, complaining that "he would not follow instructions on interest rates". The Central Bank made a series of interest rate cuts after a new Governor was appointed. The President wanted a reduction in interest rates to encourage borrowing by businesses and consumers in order to stimulate Turkey's rate of economic growth. 5

By contrast, some economists urged the Central Bank to raise interest rates to slow the pace of credit growth and to avoid a currency crisis. They argued that following the reduction in base interest rates, there was a further fall in the exchange rate of the Turkish lira against the US dollar. Turkey's large current account deficit and capital flight have also contributed to the depreciation of the Turkish lira. Attempts to increase the external value of the lira while keeping interest rates low have reduced most of the Central Bank's foreign currency reserves. Economists warned that the risk of a financial crisis in Turkey was growing. 10 15

In response, the new Governor of the Central Bank of Turkey raised the base interest rate. This increase indicated that the Central Bank was concerned about the weakness of the lira and a high rate of inflation. By December 2020 the base interest rate had increased to 17%. However, some economists argued that the Central Bank would need to raise the base interest rate further to support the weak currency. 20

Turkey's long-term economic growth will depend on attracting foreign direct investment and establishing a stronger partnership with the European Union (EU) which is a customs union and common market. Turkey is an important partner for the EU on matters related to trade, investment and migration. Governments of many EU countries believe that they have an economic interest in developing a mutually beneficial relationship with Turkey. 25

(4)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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

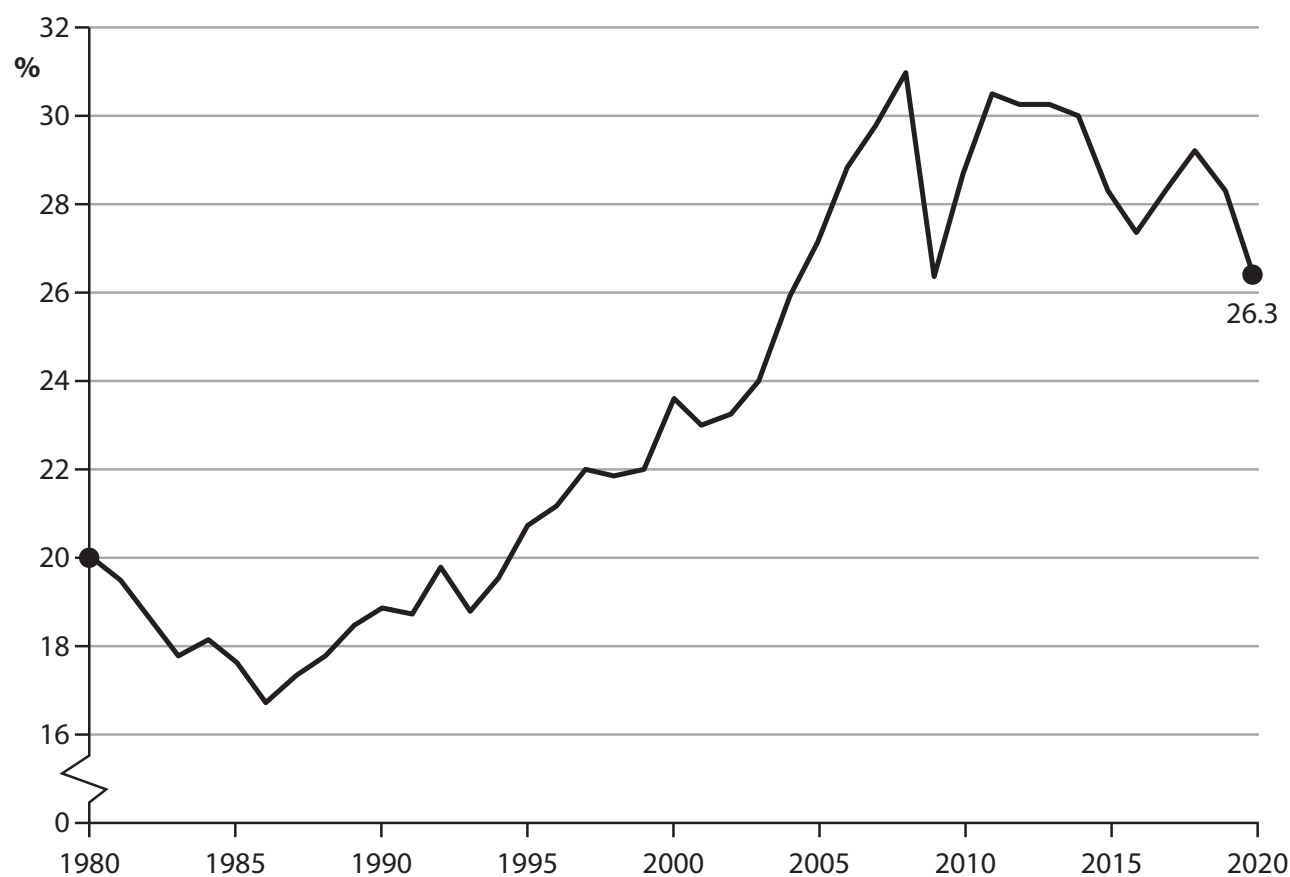
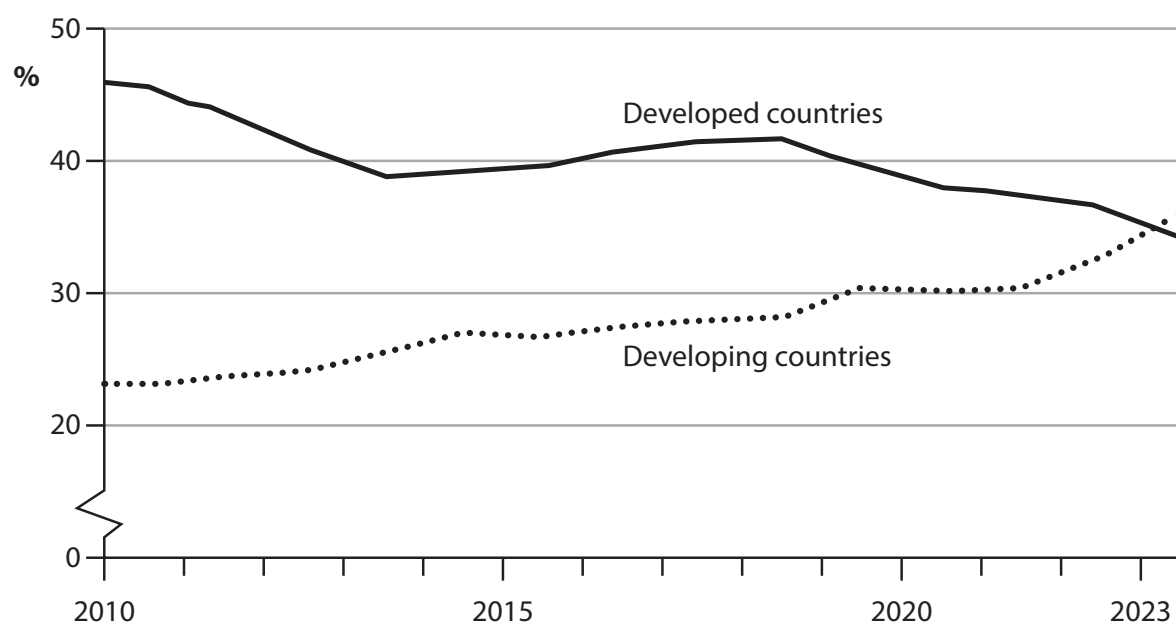


Figure 2 Destination of exports from China, % of total exports, January 2010 to April 2023



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



(6)



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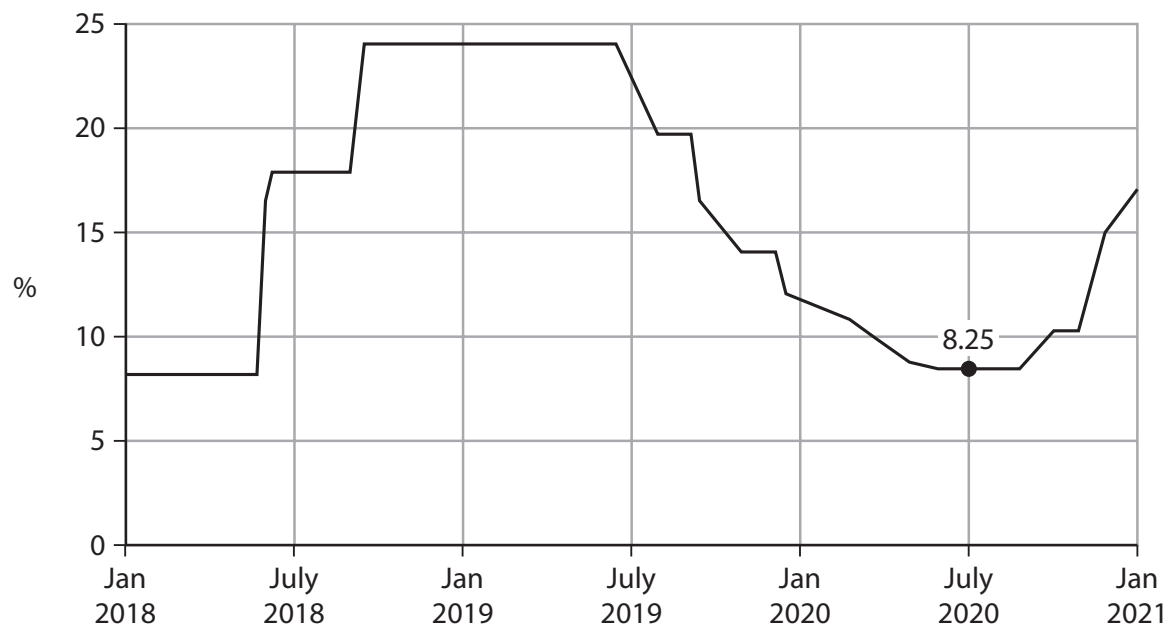


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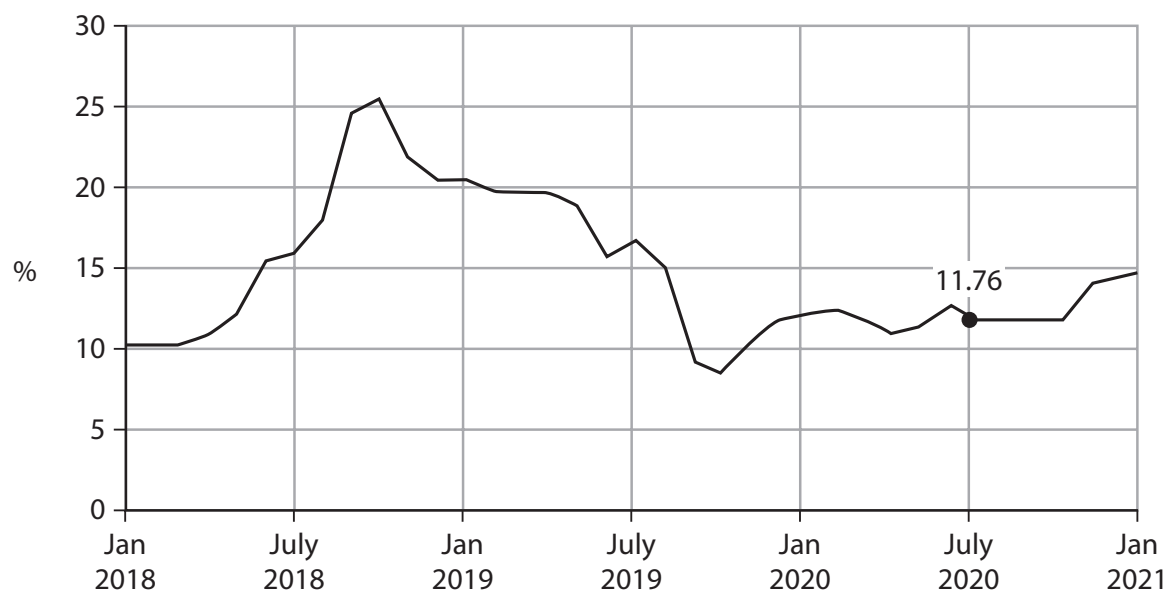
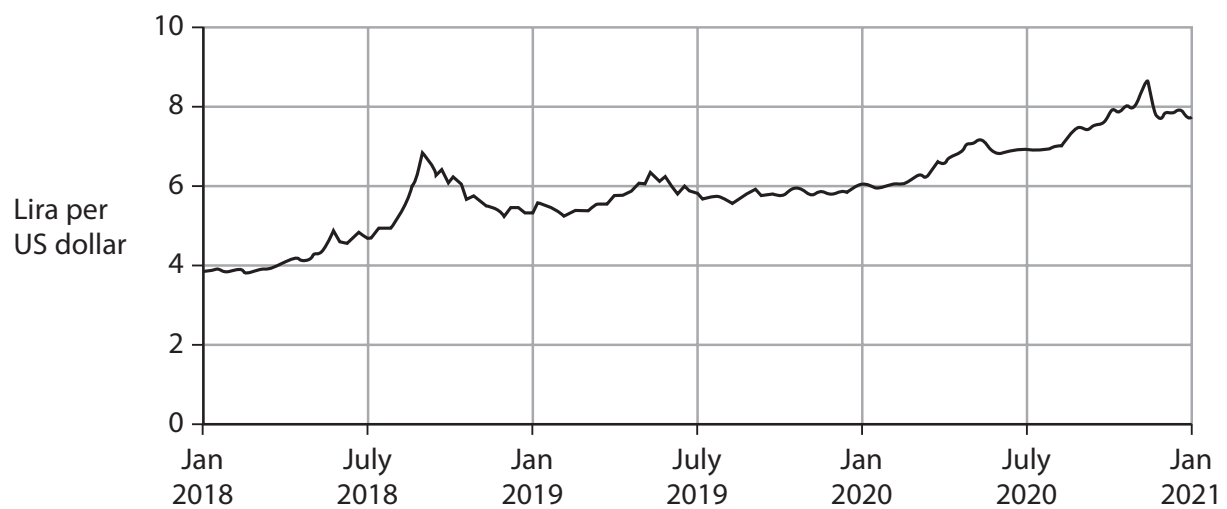


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By contrast, some economists urged the Central Bank to raise interest rates to slow the pace of credit growth and to avoid a currency crisis. They argued that following the reduction in base interest rates, there was a further fall in the exchange rate of the Turkish lira against the US dollar. Turkey's large current account deficit and capital flight have also contributed to the depreciation of the Turkish lira. Attempts to increase the external value of the lira while keeping interest rates low have reduced most of the Central Bank's foreign currency reserves. Economists warned that the risk of a financial crisis in Turkey was growing. 10 15

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Turkey's long-term economic growth will depend on attracting foreign direct investment and establishing a stronger partnership with the European Union (EU) which is a customs union and common market. Turkey is an important partner for the EU on matters related to trade, investment and migration. Governments of many EU countries believe that they have an economic interest in developing a mutually beneficial relationship with Turkey. 25

(8)



Handwriting practice area with 25 horizontal dotted lines.

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 space provided on the following pages.

- 7** In 2018, the EU's rate of inflation was 1.6%.
- (a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings. (2)
- (b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9). (4)
- (c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3). (6)
- (d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13). (8)
- (e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur. (14)



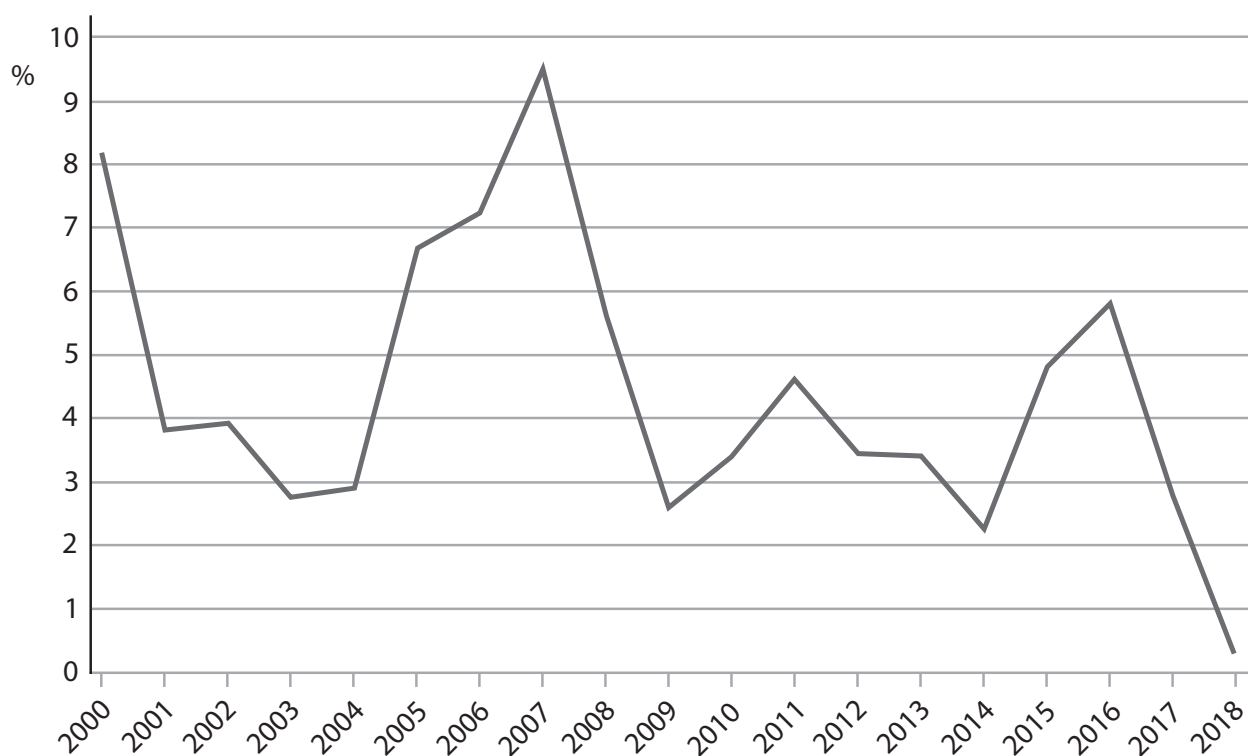
Sources for use with Section B.

The European Union (EU)

Figure 1 Annual real GDP growth rate (%), 2000–2018



Figure 2 Annual inward foreign direct investment to the EU (% of GDP), 2000–2018



Extract A Economic growth

The European Union (EU) is a customs union. Many EU countries experienced strong economic growth after 2012, four years after the global financial crisis of 2008. After some years of low domestic demand since the crisis, firms in the EU were able to take advantage of increasing consumer spending. In 2018 household expenditure rose by 2% and the EU benefited from an expansion in global trade. 5

The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown. 10

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA. 15

Extract B Trade agreement

In July 2019 the South American customs union, Mercosur, and the EU announced they were close to agreeing a free trade deal. If concluded it would be the largest ever trade agreement negotiated by the EU in terms of tariff reductions.

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade. 5

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers. 10

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018. 15

(e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.

(14)



[illegible]

(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

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)

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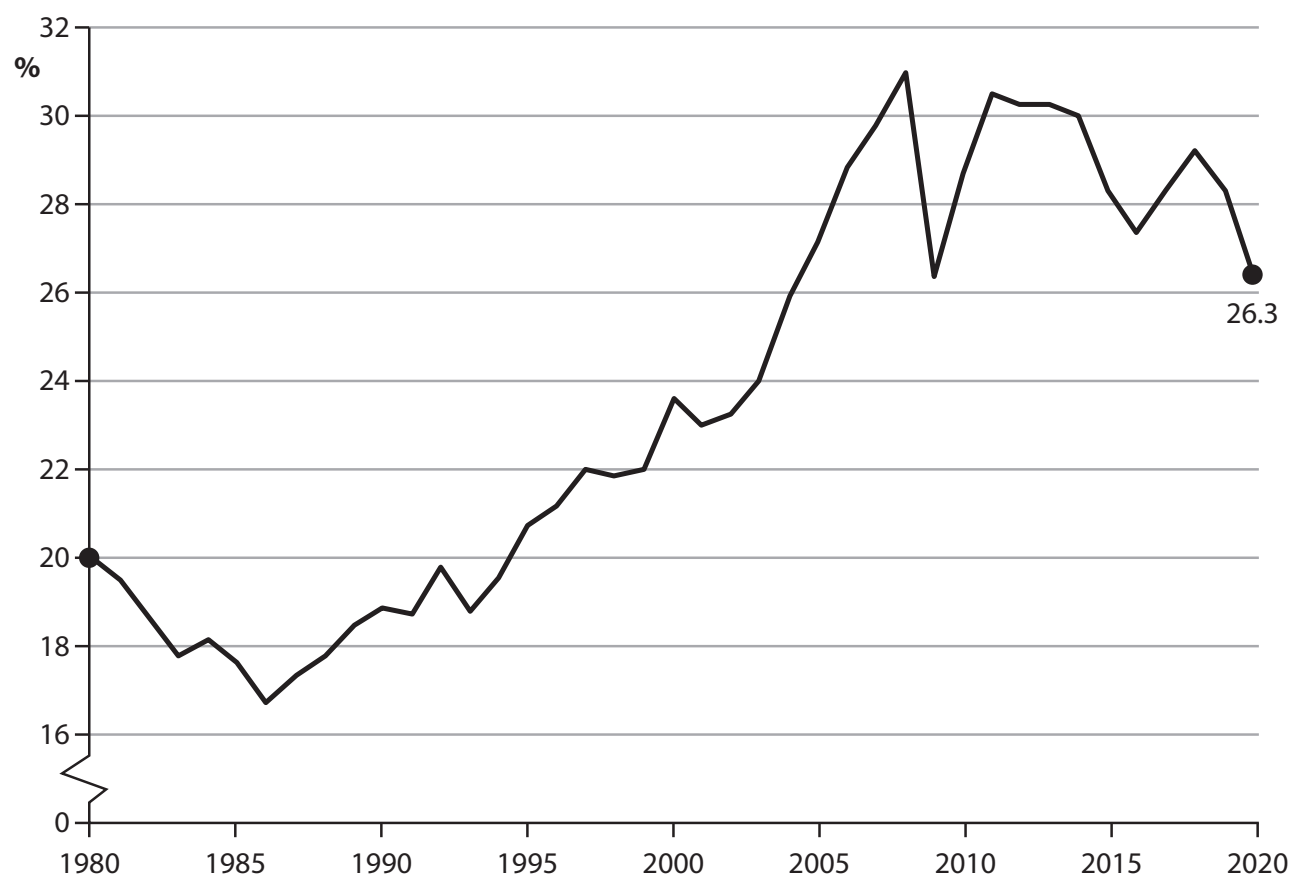
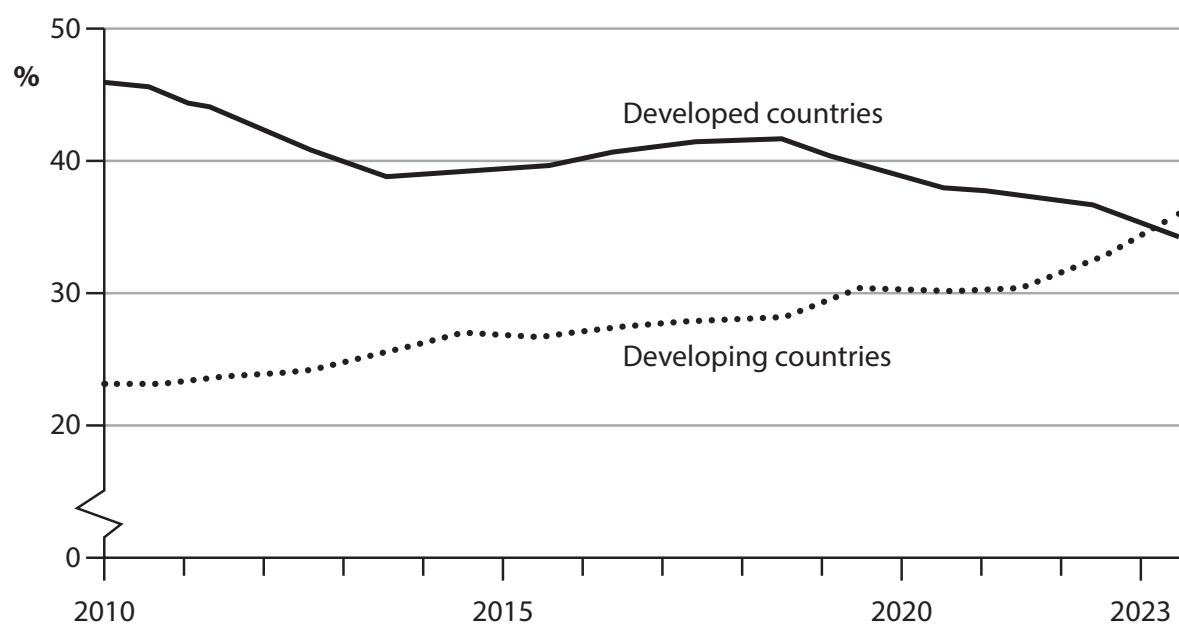


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- political change (breakdown of the Soviet system and the opening up of China).

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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

(14)



Handwriting practice area with 25 horizontal dotted lines.



(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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

- 8** In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

(Total for Question 8 = 20 marks)

- 9** In 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion.

Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.

Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)



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

- 8** In 2022 the value of Japan's currency, the yen, fell by 35% against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of the yen. This intervention cost the central bank \$20.8 billion.

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** The eurozone is an economic and monetary union. Member countries of this union share a single currency, the euro. Romania is hoping to become a member of the eurozone by 2026.

Evaluate the costs to a country of becoming a member of an economic and monetary union. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** From 2017 to 2021 public expenditure as a proportion of GDP rose from 25.1% to 29.5% in Azerbaijan and from 12.5% to 15.9% in India.

Evaluate possible causes of an increase in public expenditure as a proportion of GDP in a developing economy of your choice.

(Total for Question 10 = 20 marks)



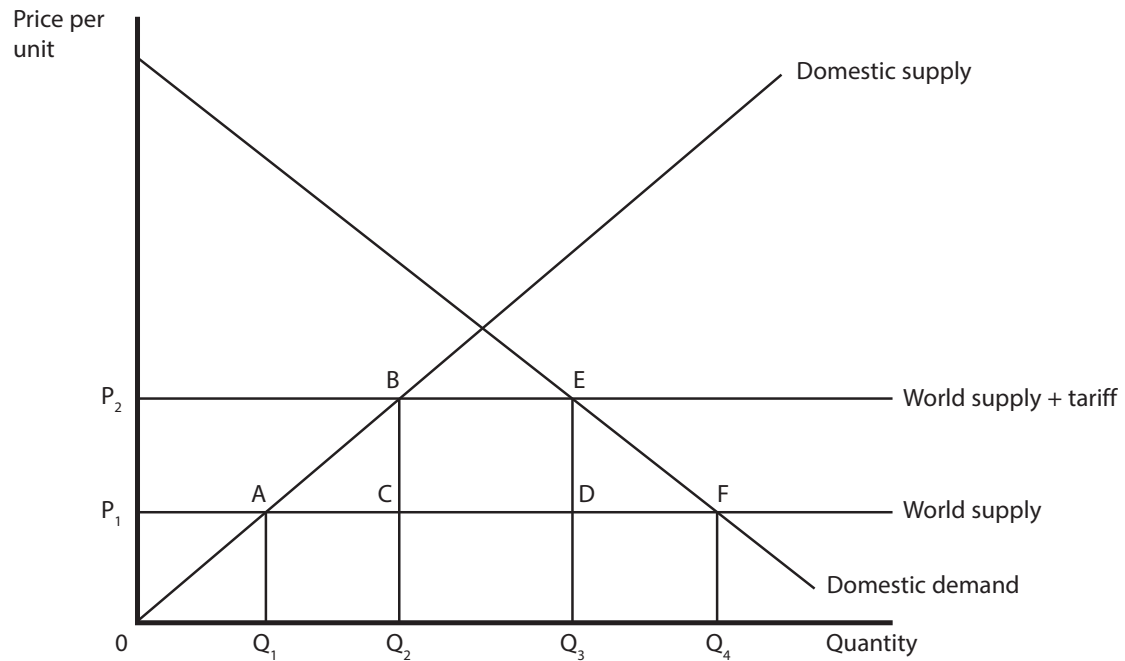
SUB-TOPIC 4.3.2.5

RESTRICTIONS ON FREE TRADE

Sub-topic 4.3.2.5 · 12 questions · 85 marks · lowest tariff first



5 The diagram illustrates the imposition of a tariff.



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

- ☒ **A** Government tax revenue is area BEDC
- ☒ **B** Net welfare loss areas are ACQ_2Q_1 and DFQ_4Q_3
- ☒ **C** Producer surplus has decreased by the area $P_1 P_2 E F$
- ☒ **D** Consumer surplus has increased by the area $P_1 P_2 B A$

(Total for Question 5 = 1 mark)

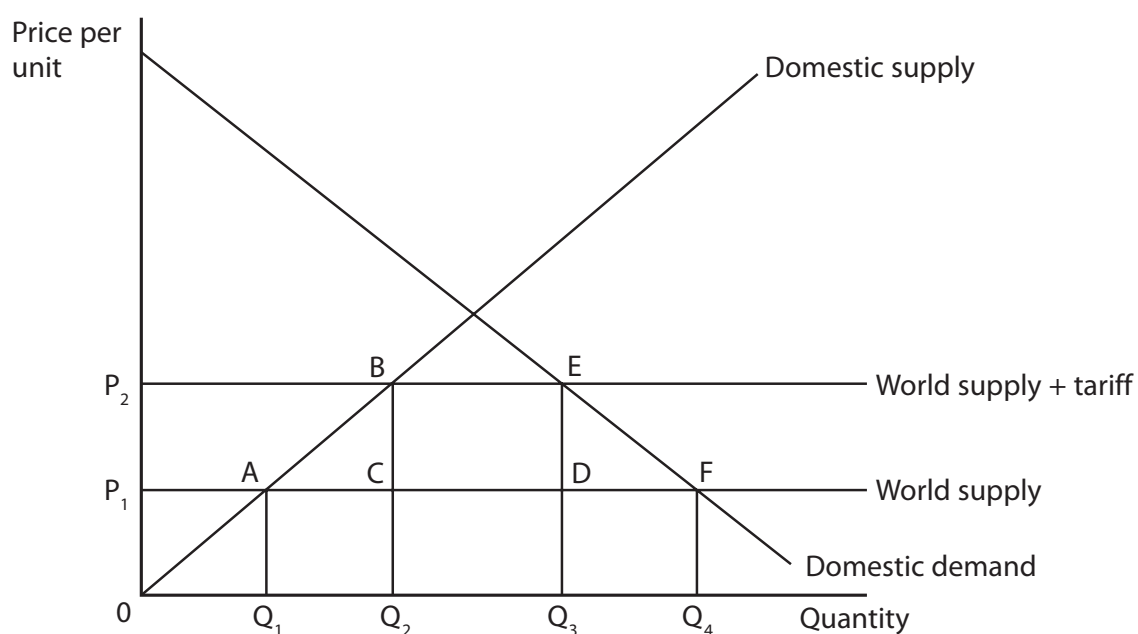
3 According to its HDI score of 0.35, Niger is the least developed country in the world.

Which **one** of the following market-orientated strategies could promote economic development in Niger?

- ☐ A The introduction of buffer stock schemes
- ☐ B State investment in human capital
- ☐ C State investment in infrastructure
- ☐ D The promotion of microfinance schemes

(Total for Question 3 = 1 mark)

4 The diagram represents the imposition of a tariff on a commodity.

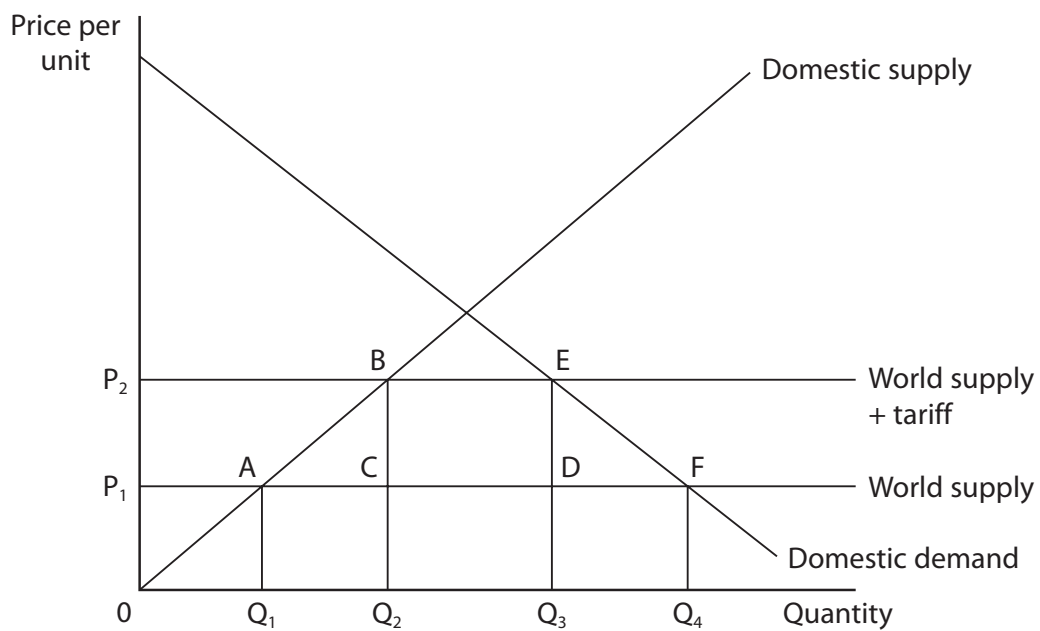


Which **one** of the following statements is true?

- ☐ A Consumer surplus has decreased by the area P_1P_2EF
- ☐ B Government tax revenue is area ABEF
- ☐ C Net welfare loss areas are ABQ_2Q_1 and EFQ_4Q_3
- ☐ D Producer surplus has decreased by the area P_1P_2BA

(Total for Question 4 = 1 mark)

5 The diagram illustrates the imposition of a tariff.



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

- ☐ A Consumer surplus has increased by the area P_1P_2EF
- ☐ B Government tax revenue is the area ABEF
- ☐ C Net welfare loss areas are ABC and DEF
- ☐ D Producer surplus has decreased by the area P_1P_2BA

(Total for Question 5 = 1 mark)

SECTION A**Answer ALL questions in this section.**

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following best describes the role of the World Bank?

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

(Total for Question 1 = 1 mark)

2 The Government of Hungary operates an income tax system in which the proportion of income paid in tax by individuals remains constant as incomes increase.

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

- ☐ **A** Hungary has a progressive tax system
- ☐ **B** Hungary has a regressive tax system
- ☐ **C** Hungary has a proportional tax system
- ☐ **D** Hungary has a specific tax system

(Total for Question 2 = 1 mark)

3 In 2018 the UK Government introduced tariffs on imported steel. In 2022 it decided to maintain these tariffs until 2024.

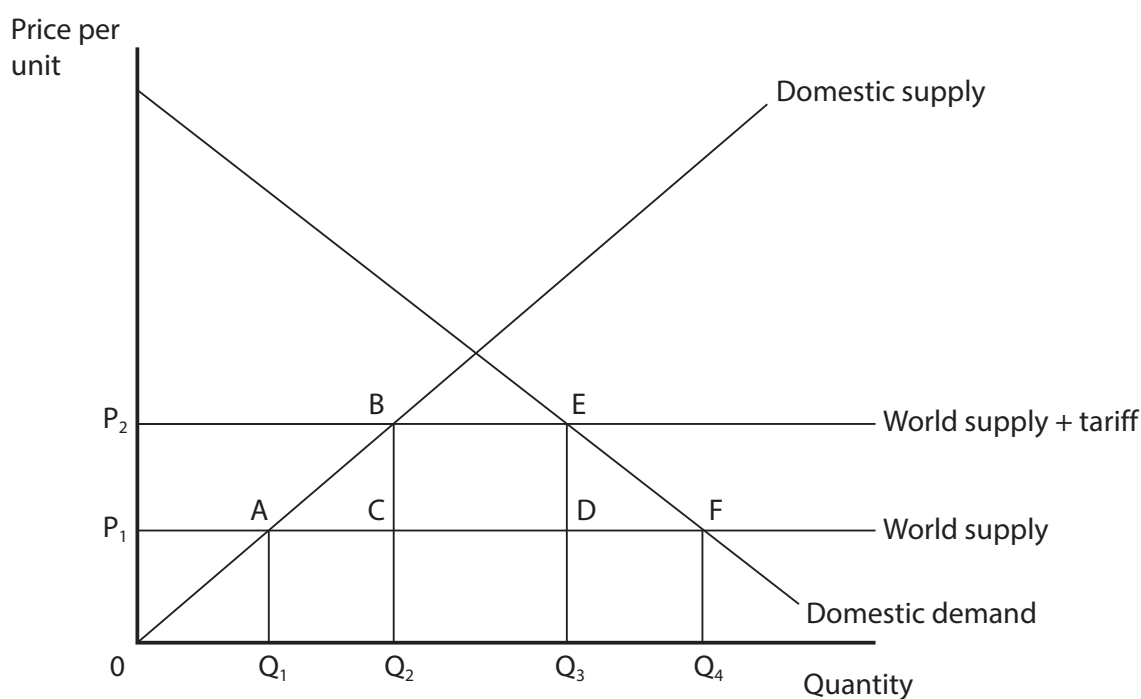
Which **one** of the following is the most likely reason why the UK Government maintained these tariffs until 2024?

- ☐ **A** To increase the level of unemployment in the UK steel industry
- ☐ **B** To prevent dumping of steel in the UK from foreign countries
- ☐ **C** To protect transnational companies supplying steel to the UK
- ☐ **D** To decrease government revenue from tariffs on imported steel

(Total for Question 3 = 1 mark)



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



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

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

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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.

1

(c) Explain what is meant by a 'tariff' (Extract A, line 7).

(4)

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SECTION B

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) In 2020 Iran's GDP was \$635.72 billion.

With reference to Figure 3, calculate Iran's national debt in 2020. You are advised to show your workings.

(2)

- (b) With reference to Figure 3, analyse **two** disadvantages of an increase in Iran's national debt.

(6)

- (c) With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'.

(4)

- (d) With reference to Figure 1, Figure 2 and the last paragraph of Extract A, examine **two** likely economic effects of trade restrictions reimposed by the US Government on Iran.

(8)

- (e) With reference to Extract B, discuss the strategies introduced by the Iranian Government to promote economic development.

(14)



Sources for use with Section B

The economy of Iran

Figure 1 Annual real GDP growth rate, Q1 2010 – Q4 2020

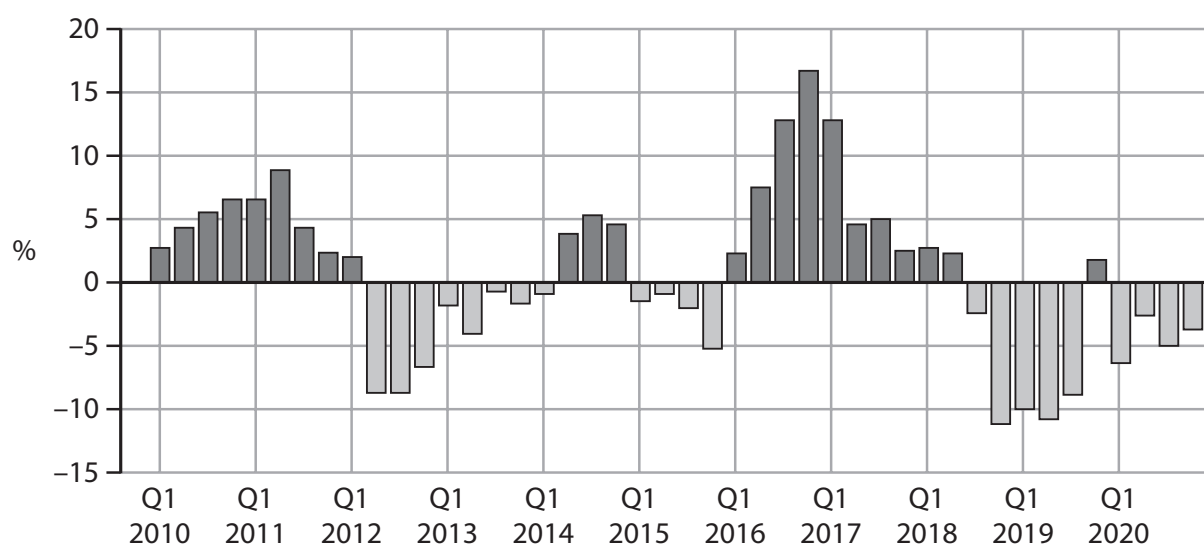


Figure 2 Monthly inflation rate, as measured by the Consumer Price Index (CPI), January 2010 – December 2020

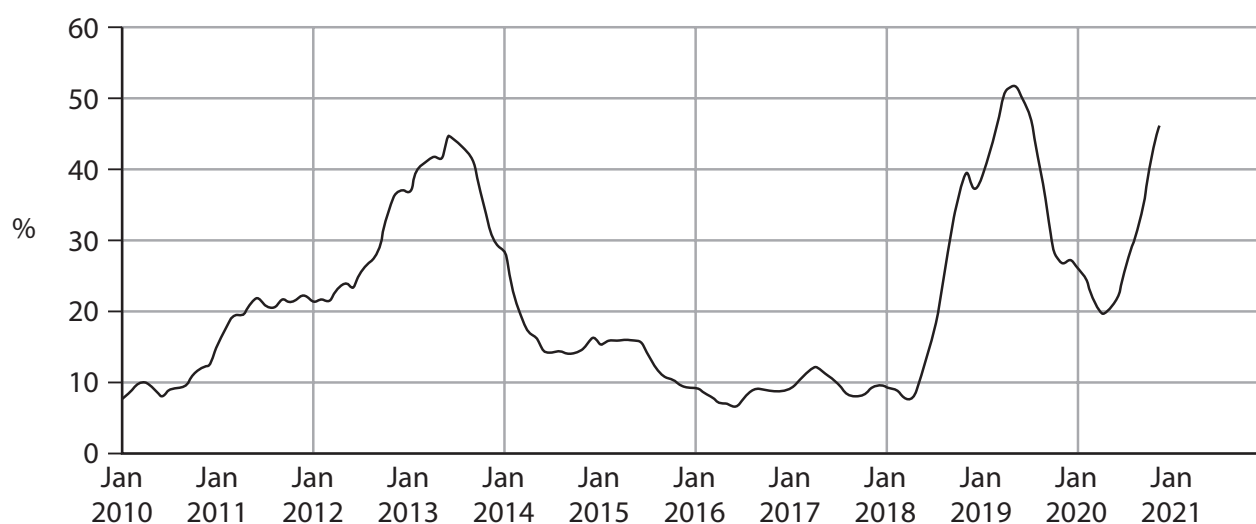
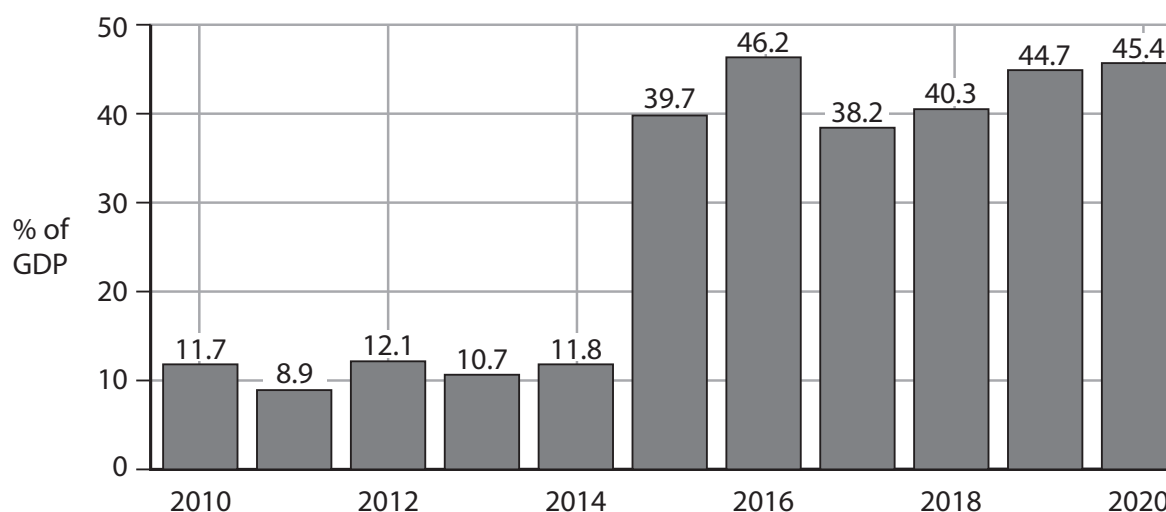


Figure 3 National debt, % of GDP, 2010 – 2020**Extract A Trade restrictions**

When Iran's President, Mr Hassan Rouhani, was elected in 2013, he promised that his Government would solve Iran's economic crisis. He said that he would save the country's economy from collapsing and create positive relationships with the rest of the world. However, when Mr Rouhani resigned as President in June 2021 many economists claimed that his Government had not kept its promises. 5

During 2013 Mr Rouhani started discussions with the USA and other advanced economies to remove the trade restrictions imposed on Iran's exports and imports. These restrictions had been imposed in response to Iran's production of nuclear energy that was above the permitted international limit. After two years of negotiations, Mr Rouhani came to an agreement with these countries and the trade restrictions were gradually reduced. This resulted in an increase in oil exports, Iran's main source of export revenue. 10

However, the US Government accused Iran of breaking the agreement and reimposed trade restrictions in 2018. As a result, Iran suffered a significant decline in oil exports and foreign direct investment. This led to a 75% fall in the external value of the country's currency, the *Rial*, against the US dollar. Subsequently, there was a fall in Iran's GDP, an increase in its unemployment rate and an increase in its inflation rate. In 2020 Iran experienced a trade deficit of \$11.68 billion, having had trade surpluses between 2005 and 2018. 15

Extract B Economic development

Since 2018 the Iranian Government has implemented a strategy of diversification into non-oil exports in order to promote economic development. It has focused on a strategy of industrialisation and infrastructure development, particularly by investing in Iran's telecommunications industries. As a result, the number of people with access to broadband increased from 590 000 in 2014 to 95 million in 2021. The number of people with access to mobile phones also increased from 59.4 million in 2013 to 131 million in 2021. However, the Iranian Government restricts the content that its citizens can access. 5

In addition, the Government has privatised many state-run companies. Consequently, many Iranians have invested a substantial amount of their savings in the country's volatile stock market. 10

Acknowledgements

Figure 1 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/gdp-growth-annual>

Figure 2 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/inflation-cpi>

Figure 3 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/government-debt-to-gdp>

Extracts A and B adapted from FT, <https://www.ft.com/content/6a2a7e0f-523b-4e79-852d-1bacba7dce70>

(4)



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

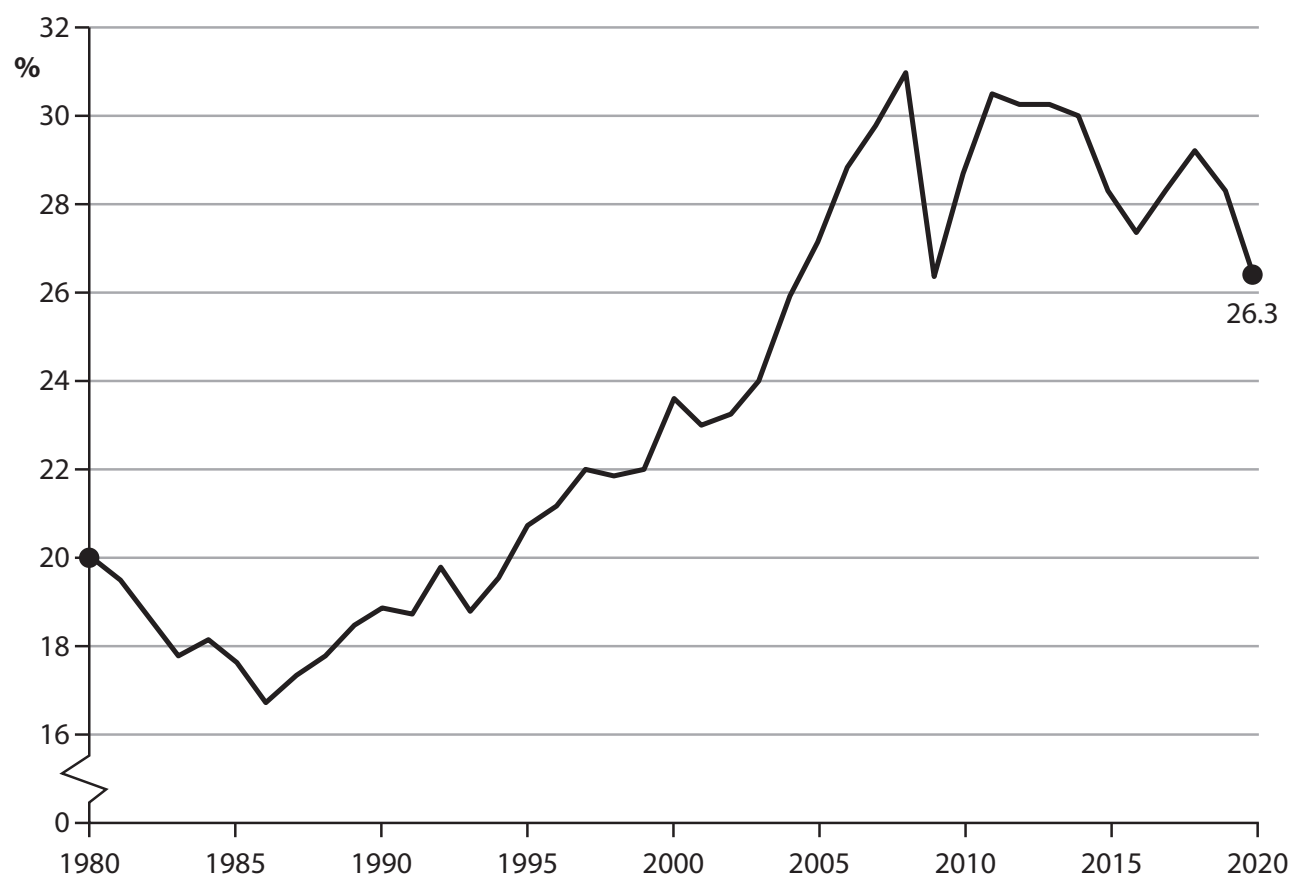
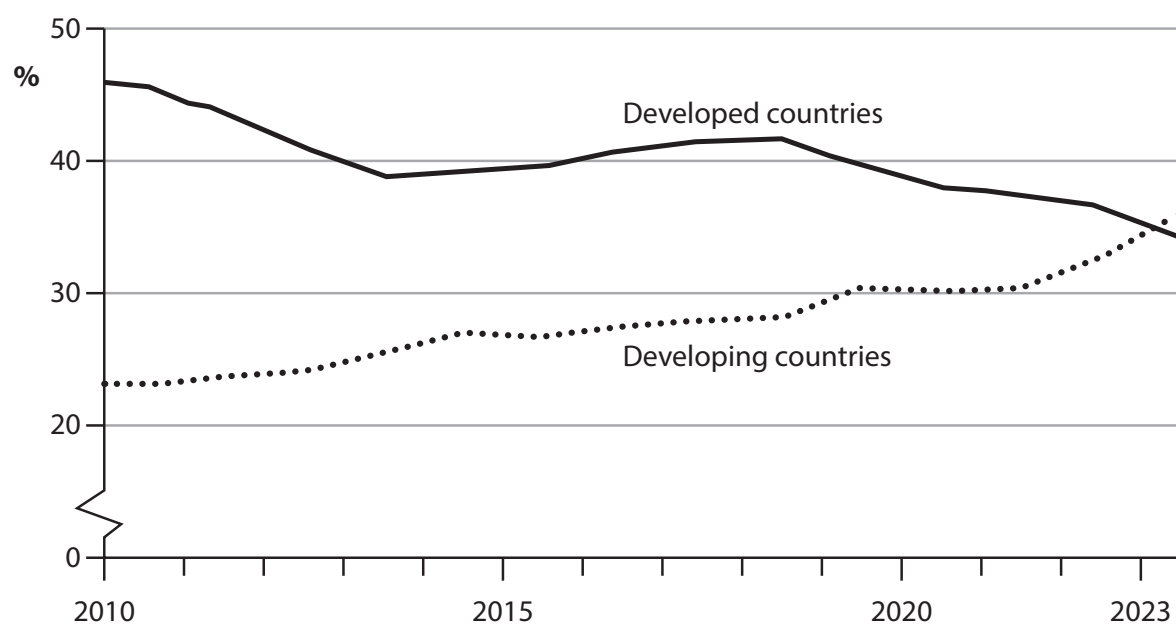


Figure 2 Destination of exports from China, % of total exports, January 2010 to April 2023



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

(4)

[illegible]

SECTION B

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) In 2020 Iran's GDP was \$635.72 billion.

With reference to Figure 3, calculate Iran's national debt in 2020. You are advised to show your workings.

(2)

- (b) With reference to Figure 3, analyse **two** disadvantages of an increase in Iran's national debt.

(6)

- (c) With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'.

(4)

- (d) With reference to Figure 1, Figure 2 and the last paragraph of Extract A, examine **two** likely economic effects of trade restrictions reimposed by the US Government on Iran.

(8)

- (e) With reference to Extract B, discuss the strategies introduced by the Iranian Government to promote economic development.

(14)



Sources for use with Section B

The economy of Iran

Figure 1 Annual real GDP growth rate, Q1 2010 – Q4 2020

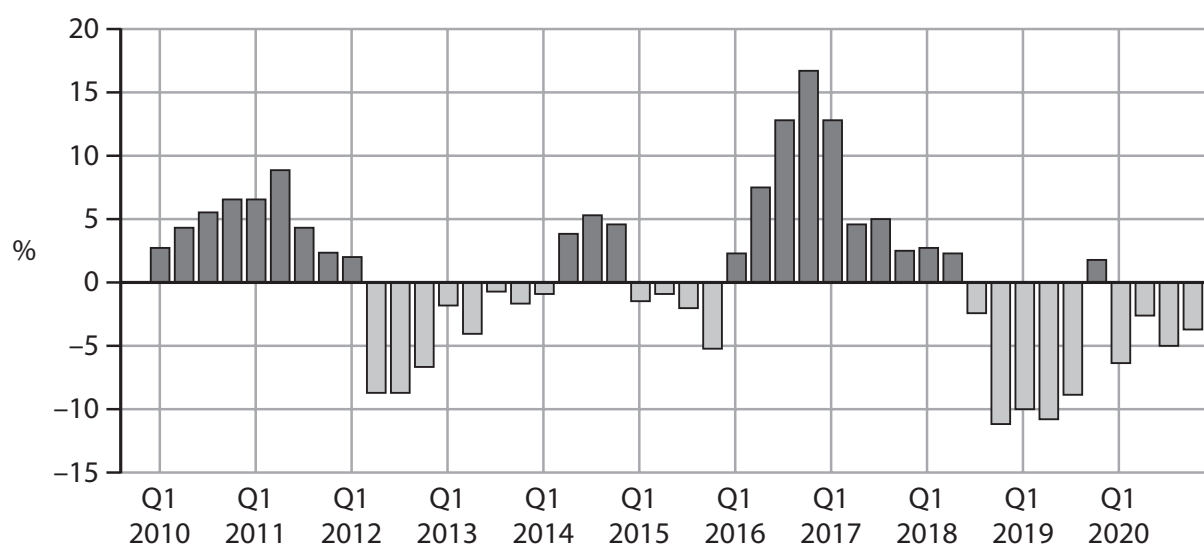


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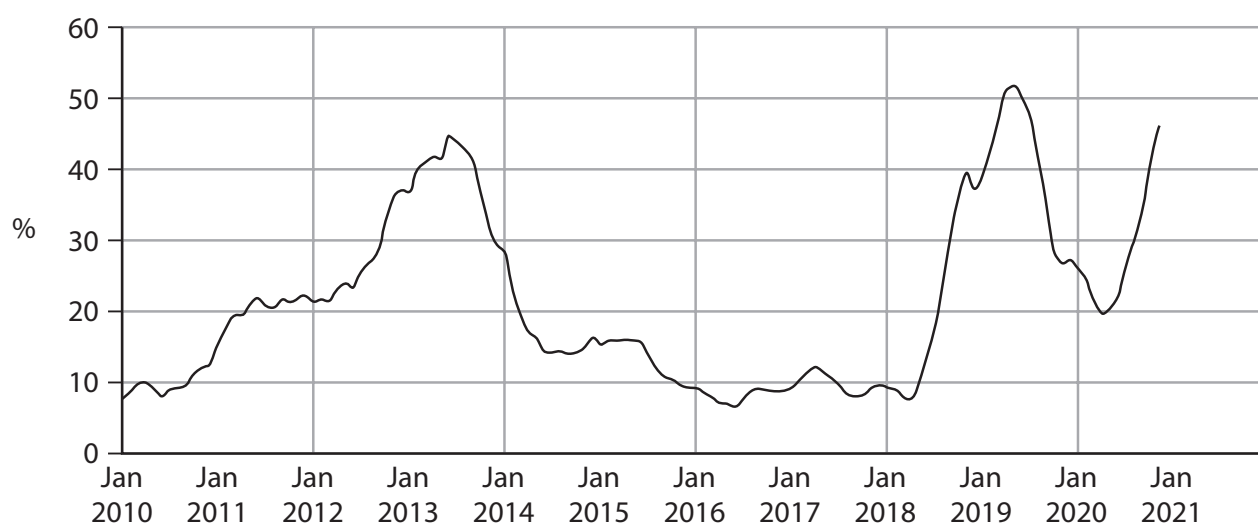
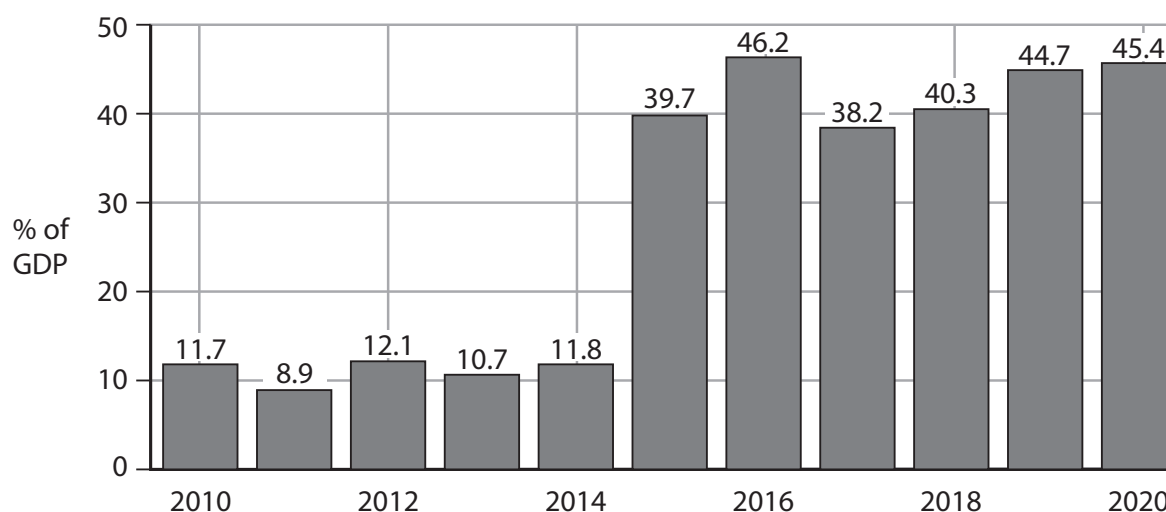


Figure 3 National debt, % of GDP, 2010 – 2020**Extract A Trade restrictions**

When Iran's President, Mr Hassan Rouhani, was elected in 2013, he promised that his Government would solve Iran's economic crisis. He said that he would save the country's economy from collapsing and create positive relationships with the rest of the world. However, when Mr Rouhani resigned as President in June 2021 many economists claimed that his Government had not kept its promises. 5

During 2013 Mr Rouhani started discussions with the USA and other advanced economies to remove the trade restrictions imposed on Iran's exports and imports. These restrictions had been imposed in response to Iran's production of nuclear energy that was above the permitted international limit. After two years of negotiations, Mr Rouhani came to an agreement with these countries and the trade restrictions were gradually reduced. This resulted in an increase in oil exports, Iran's main source of export revenue. 10

However, the US Government accused Iran of breaking the agreement and reimposed trade restrictions in 2018. As a result, Iran suffered a significant decline in oil exports and foreign direct investment. This led to a 75% fall in the external value of the country's currency, the *Rial*, against the US dollar. Subsequently, there was a fall in Iran's GDP, an increase in its unemployment rate and an increase in its inflation rate. In 2020 Iran experienced a trade deficit of \$11.68 billion, having had trade surpluses between 2005 and 2018. 15

Extract B Economic development

Since 2018 the Iranian Government has implemented a strategy of diversification into non-oil exports in order to promote economic development. It has focused on a strategy of industrialisation and infrastructure development, particularly by investing in Iran's telecommunications industries. As a result, the number of people with access to broadband increased from 590 000 in 2014 to 95 million in 2021. The number of people with access to mobile phones also increased from 59.4 million in 2013 to 131 million in 2021. However, the Iranian Government restricts the content that its citizens can access.

5

In addition, the Government has privatised many state-run companies. Consequently, many Iranians have invested a substantial amount of their savings in the country's volatile stock market.

10

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Figure 3 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/government-debt-to-gdp>

Extracts A and B adapted from FT, <https://www.ft.com/content/6a2a7e0f-523b-4e79-852d-1bacba7dce70>



(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** 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 A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct because there will be an increase in trade</i> <i>C is not correct because there will be an increase in living standards</i> <i>D is not correct because there will be a decrease in absolute poverty</i>	(1)
2	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 the Lorenz curve relates to inequality not to GDP per capita</i> <i>B is not correct because the Lorenz curve does not illustrate changes in income tax</i> <i>C is not correct because the Gini coefficient of Country A is smaller than it is for Country B</i>	(1)
3	-	The only correct answer is C <i>A is not correct because a reduction in spending on infrastructure will increase transport costs and therefore, reduce international competitiveness</i> <i>B is not correct because stricter regulation of labour markets will increase costs of employing labour and therefore, reduce international competitiveness</i> <i>D is not correct because more restrictions on free trade will add to costs of importing and exporting and therefore, reducing international competitiveness</i>	(1)

5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this will increase India's international competitiveness</i> <i>B is not correct because this will increase India's international competitiveness</i> <i>D is not correct because this will increase India's international competitiveness</i>	(1)
6	QS1: Calculate, use and understand ratios and fractions. 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 will happen when the opportunity cost for producing both goods for both the countries are the same/have identical PPFs</i> <i>B is not correct because Country A does not have a comparative advantage over Country B in the production of both the goods</i> <i>C is not correct because Country A has an absolute advantage over Country B in the production of both goods</i>	(1)

5	QS1: Calculate, use and understand ratios and fractions. 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 the opportunity cost for producing shoes and bags for both countries is the same</i> <i>C is not correct because country X has an absolute advantage over country Y in both bags and shoes</i> <i>D is not correct as there is an opportunity cost for producing shoes and bags for both countries</i>	(1)
6	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 <i>A is not correct because this is $5.7\%/9.9\%$ and does not calculate the terms of trade</i> <i>C is not correct because this is $(\text{index of import prices}/\text{index of export prices}) \times 100 = 94.3/90.1 \times 100$</i> <i>D is not correct because this is $9.9\%/5.7\%$ and does not calculate the terms of trade</i>	(1)

5	QS1: Calculate, use and understand ratios and fractions. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because both countries will not benefit from specialisation and trade</i> <i>B is not correct because there will be an opportunity cost for producing televisions or computers for both countries</i> <i>D is not correct because the opportunity cost for producing televisions or computers for both countries is the same</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the Central Bank of India would sell the US dollar</i> <i>B is not correct because this would cause a depreciation in the Indian rupee against the US dollar</i> <i>D is not correct because the Central Bank of India would buy the Indian rupee</i>	(1)

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 A <i>B is not correct because there is no link between a country's national debt and absolute advantage</i> <i>C is not correct because this would lead to an increase in debt servicing costs</i> <i>D is not correct because the rate of inflation is likely to increase</i>	(1)
2	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 a market-orientated strategy to promote economic growth and development</i> <i>B is not correct because this is a market-orientated strategy to promote economic growth and development</i> <i>C is not correct because this is a market-orientated strategy to promote economic growth and development</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this does not relate to the current account of the balance of the payments</i> <i>B is not correct because this relates to a fiscal/budget deficit</i> <i>D is not correct because this does not relate to the current account of the balance of the payments</i>	(1)
4	QS1: Calculate, use and understand ratios and fractions. 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 Country X has an absolute advantage over Country Y in the production of both goods</i> <i>C is not correct because Country X does not have a comparative advantage over Country Y in the production of both goods</i> <i>D is not correct because this will happen when the opportunity cost for producing both goods for both countries is the same</i>	(1)

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 C <i>A is not correct because this would reduce economic development</i> <i>B is not correct because this would reduce economic development</i> <i>D is not correct because this would reduce economic development</i>	(1)
2	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 this is associated with a floating exchange rate</i> <i>C is not correct because this is associated with a floating exchange rate</i> <i>D is not correct because this is when the value of the currency increases in a fixed exchange rate system</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because specialisation and trade will lead to an increase in the volume of exports and imports</i> <i>B is not correct because specialisation and trade will lead to an increase in living standards</i> <i>D is not correct because specialisation and trade will reduce absolute poverty</i>	(1)
4	QS5: Calculate and interpret index numbers. 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 this is the index number for 2012 using 2022 as base year</i> <i>C is not correct because this is the index number for 2022 using 2012 as base year</i> <i>D is not correct because this is the index number for 2022 using 2002 as base year</i>	(1)



Question	The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada. Evaluate the possible benefits of specialisation and trade to a developed country of your choice. 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 specialisation and trade Possible benefits could include: - Specialisation according to the law of comparative advantage: greater trade will allow economies to access points outside their PPFs – allow diagrammatic or mathematical illustration of the law of comparative advantage - To the extent that this leads to more international trade, this may improve a country's trade balance and generate economic growth/raise living standards - Increased economies of scale results in lower long-run average costs (LRAC) for a developed country, reducing its export prices of services, and therefore leading to higher levels of international competitiveness in the service sector - Lower prices for services due to greater allocative efficiency, thus leading to lower global inflation rates (welfare gain through trade) - Specialisation in services leads to increased output and therefore could lead to greater investment and employment in the service sector N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country 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 the benefits discussed • Weaknesses in comparative advantage model – for e.g., it ignores transport costs and assumes perfect mobility of factors without any diminishing returns • Increased vulnerability to external shocks – for e.g., changes in global prices of commodities, suppressed global demand • Benefits may depend on what services the developed country is specialising in and the extent to which these developed countries can specialise • Over-dependency on imports of other products; developed countries may lack the finance to pay for imports (foreign currency gap) • Possibility of deteriorating terms of trade for some developed countries/trade would only mutually benefit countries after specialisation if terms of trade lie between the two opportunity cost ratios • Over-exploitation of resources as output may be raised by over-exploiting resources at the cost of the future generations, causing external costs • Increased specialisation and trade may cause increased levels of external costs, e.g. pollution, global warming as a result of increased transportation • Risk of structural unemployment; as a country moves towards specialisation, workers in declining industries may face occupational immobility of labour • Problem to businesses of long supply chains, JIT production which present difficulties when there are disruptions to supply chains or shortages of key components; causes problems for consumers - shortages, increased prices		
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 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion. Evaluate the disadvantages of a current account deficit to a developing country of your choice. 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 current account deficit • All current account deficits need to be financed and if they are substantial this can become a significant problem; it may cause reduction in reserves and need to borrow from IMF • The lack of international competitiveness may indicate lower economic growth and increasing unemployment • Trade in goods deficit might be quite difficult to finance; it may require higher interest rates or sale of assets • Might cause a depreciation in the country's exchange rate, with possible inflationary pressures and increased debt burden if held in foreign currency • Net leakage from circular flow of income could cause a fall in AD, leading to fall in output, employment and income via the multiplier effect • Deficit may imply more reliance on consumer spending and becoming highly uncompetitive: structural weakness and uncompetitive manufacturing sector • Danger of increased use of protectionist policies by countries with trade deficits, which could distort comparative advantage • The financial crisis led to a downturn in economies of deficit countries - foreign financing used to pay for deficits fell due to lack of confidence N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country 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.

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct because this condition is related to the current account position of the BOP</i> <i>C is not correct because this model is related to industrialisation</i> <i>D is not correct because this model is related to the savings gap</i>	(1)
2	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 transfer payments relate to payments made by government to individuals in the form of benefits</i> <i>B is not correct because automatic stabilisers are not a discretionary fiscal policy</i> <i>C is not correct because the government's current expenditure is an example of its day-to-day spending</i>	(1)
3	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 stricter regulation of the product markets will reduce South Korea's international competitiveness</i> <i>C is not correct because more restrictions on free trade will reduce South Korea's international competitiveness</i> <i>D is not correct because a reduction in spending on education and training will reduce South Korea's international competitiveness</i>	(1)
4	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 higher shipping costs are likely to increase production costs</i> <i>B is not correct because global inflationary pressures will increase due to higher costs of production for businesses</i> <i>C is not correct because there are likely to be changes in the patterns of world trade</i>	(1)

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)

Question	Discuss policies, apart from tourism, being implemented by the Taiwanese Government to reduce its dependence on China. Indicative content
7(e)	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 (8 marks) – indicative content • “incentives that made it easier to buy land and register property” – reducing bureaucracy/regulatory burden on firms simplifies the process of buying land and gaining environmental clearances. It otherwise hinders entrepreneurship in the private sector by adding to a firm’s cost of production • “investment in infrastructure to ensure the continuous provision of gas, electricity and water supply” – improvements in infrastructure will help to address the bottlenecks in power sources and water supply. It ensures the stability of electricity (no power outages) and no water shortages. This will help raise total factor productivity through fall in costs for the private sector, thereby allowing more efficient use of productive inputs • “subsidies and tax incentives for the technology sector” – will reduce cost of production for firms and may encourage firms to invest in innovation which would not otherwise be started due to the high risk and cost involved. This allows the firms to gain technical economies of scale and dynamic efficiency. It helps reduce problem of lack of finance to fund research and development • Improved trade links with countries in both South Asia and Southeast Asia – allows for trade creation with countries in the NSP leading to increased specialisation and trade through comparative advantage. Countries in the NSP accounted for around 20% of Taiwan’s exports in 2019

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. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that 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 (6 marks) – indicative content • There is still “bureaucracy” that prevented many Taiwanese firms from returning to Taiwan. This is unlikely to increase level of domestic investment – only \$6.8 billion was invested in 2019 and \$1.1 billion in 2020 of the \$33 billion agreed • Planning infrastructure projects takes time, so it is not clear how quickly growth from this investment would become evident for the private sector. The benefits to the private sector depend on the quality of infrastructure • Risk of funding inefficient firms could lead to a misallocation of resources, leading to government failure. It is likely to encourage inefficiency in both large and small Taiwanese firms • “China accounted for nearly 40% of Taiwan’s exports in 2019” – trade diversion and distortion of comparative advantage • “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” – Taiwan would continue to rely on China in the long run • “Severe shortages of highly skilled labour” – the country needs to focus on investing in education and training to raise the level of human capital
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	In 2019 it was estimated that a large proportion of the fiscal deficit in Japan and the UK was structural. Evaluate whether a structural fiscal deficit is a more serious issue than a cyclical fiscal deficit. Refer to a country of your choice 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 of fiscal deficit • Meaning of structural fiscal deficit: estimate of how large the deficit would be if the economy were to operate at a normal, sustainable level of employment and activity • Meaning of cyclical fiscal deficit: usually caused by a deficiency in aggregate demand, e.g. when the economy is in a period of recession • Structural deficit could be permanent if no measures are taken to reduce or eliminate it and this would imply continuous fiscal deficits and an increasing national debt • Structural deficits may require tax rises and/or cuts in public expenditure • Analysis of problems of a rising national debt include: ○ reduction in the credit rating ○ cost for the future generations ○ crowding out (resource and financial) ○ cost implications of servicing the debt ○ danger of increased inflationary pressures • Cyclical deficit is likely to be temporary

Section C

Question	In 2019 the rate of economic growth was over 6% in both India and China. Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice 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 of world trade patterns • Understanding of emerging economies Possible impacts could include: • Emerging economies tend to mostly produce and export manufactured goods (secondary sector), and some also have the tendency to produce and export primary products (primary sector) • Developed economies respond by specialising more in high-tech secondary sector, tertiary and quaternary sector goods and services • Changes in trade balance of emerging and developed economies - emerging economies are likely to run trade surpluses, and perhaps the more developed countries run trade deficits • Developed economies tend to move to importing more goods and exporting more services • Increase in the overall size of trade flows due to the increase in proportion of world trade conducted by emerging economies • Increase in investment flows to and from emerging countries • Increase in trade deficits and surpluses for individual countries N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to countries of their choice 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 of each of the impacts discussed • Relative significance of each impact over time • Short-run vs long-run distinction between likely impact – for e.g. some emerging economies, such as Brazil and Russia, have not been able to sustain the same rates of economic growth over the last decade • It depends on protectionist measures being implemented – for e.g. USA has been in trade wars with China and this has slowed rate of economic growth of China significantly since 2017 • Developed countries are keen to reduce tariffs and remove subsidies on manufactured goods (in which they have a CA) but reluctant to open their markets to goods in which developing countries have a CA • Different impacts more or less important for different emerging economies		
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	According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased. Evaluate factors influencing patterns of trade between countries. 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 trade patterns Factors include: - Emerging economies/the collapse of communism has led to the opening-up of many former-communist countries, e.g. China and Eastern Europe - Comparative advantage: a detailed analysis of the significance of this theory may be represented with numerical example or diagram - The number and size of trading blocs / bilateral trade agreements: has resulted in an increase in trade creation between member countries - Exchange rate/'currency wars' of recent years, e.g. China: currency controls to prevent appreciation of their currency - Protectionist policies e.g. increase in tariffs imposed by countries and increased subsidies to support their domestic industries to make imports relatively more expensive - Competitiveness, e.g. USA & UK loss of low-cost manufacturing industries compared with the rise in the emerging economies (could count as two points) - Level of foreign direct investment (FDI) which has increased manufacturing in developing economies - Many advanced economies have experienced deindustrialisation, with less national output generated by their manufacturing sectors	
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 • The law of comparative advantage is based on unrealistic assumptions e.g. constant costs of production, perfect mobility of resources • Increased transport costs to/from China or Eastern Europe, and rising wages, might slow this process • Increased labour costs, e.g. China, have now resulted in the return of manufacturing industries to developed economies/other developing economies • Many countries are leaving/considering exiting the trading blocs; trade diversion may occur – can distort trade patterns • Exchange rates and highly volatile patterns of trade can change in the long-run when the exchange rate changes again • Other countries could retaliate with their own protectionist policies • Different impacts more or less important for different economies • Prioritisation of factors/significance of each factor: SR v LR considerations • Combination of factors is likely to have a bigger impact on trade patterns		
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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Question	In South Sudan HDI was 0.43 in 2010 and 0.39 in 2022. Evaluate market-orientated strategies that a government in a developing country of your choice might use to increase <i>economic development</i>. 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 HDI • Understanding of economic development Strategies include: • Trade liberalisation - removing protectionist measures and exposing the domestic economy to global competition, resulting in higher efficiency; link to comparative advantage and living standards • Promotion of FDI – e.g. tax breaks could help technology transfer and help with training of the workforce: increases productivity/employment/incomes • Removal of government subsidies – government’s scarce tax revenue can be spent on improving health and education, increasing HDI • Privatisation – increases efficiency in markets due to greater competition hence contributing to lower prices, better quality and more choice: this is likely to improve living standards • Floating exchange rate systems – makes exports more internationally competitive, increasing domestic employment/incomes and thus HDI • Microfinance schemes – these small-scale loans allow low-income producers to invest in physical and human capital, improving productivity/incomes N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development 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.

Section C

Question	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. 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 of rate of economic growth Possible effects could include: • Reduction in world trade as China imports less goods and services from the rest of the world; reduce global growth forecasts • Slowdown in global inflation: low inflationary pressures can trigger fears of a global deflationary spiral and debt defaults • Lower economic growth of China's main export partners that are highly dependent on Chinese demand for oil, metals, materials in its industrial centres and associated multiplier effects • Worries about China's economic strength is part of the reason for the fall in oil/commodity prices: this has pushed several exporting countries into recessions and negatively affected their public finances • Neighbours with (vertically) integrated supply chains e.g. Japan and South Korea are significantly affected • Increased levels of emigration from China if China cannot produce sufficient employment opportunities for its population • Reduction of FDI into China/from China – worsens financial account position of the balance of payments • The slowdown can affect global tourism and services industries as fewer Chinese tourists travel abroad • Global investors may withdraw significant amounts of money from China's stock markets and financial institutions: resulting in market volatility N.B. Candidates may explain negative effects as KAA and positive effects as evaluation (and vice versa)

	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the global economy 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 of the most important effects • Significance of the effects discussed, e.g. imports of \$2.6 trillion are likely to mean that countries exporting to China will face an economic slowdown; likely to be important as China tries to rebalance its economy and achieve higher growth rates • Magnitude of the slowdown: economic growth rate of 5% is still likely to be higher than growth rates of most developed and developing countries • Chinese slowdown may not be as significant as another country may become the largest contributor to global economic growth over next few years e.g. India may see opportunities to attract FDI that might be leaving China • SR/LR effects: slowdown may be short-lived and economic growth may increase again (depends on the main reason for the slowdown) • Depends on the reactions of rest of the world; different countries will have different impacts (reference to changes in patterns of trade)	

	- Some countries have avoided impact of slowdown by reducing their reliance on commodities, and through diversifying their portfolio globally - Depends on the Government of China's policy reaction to slowdown: reference to fiscal or monetary policy/joining a trading bloc/forming regional trade agreements with other countries
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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 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.

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 C A is not correct because there is no impact on comparative advantage B is not correct because there will be an increase in interest rates D is not correct because there is likely to be a decrease in the external value of the currency	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because it will increase income inequality C is not correct because it will increase income inequality D is not correct because it will increase income inequality	(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 it will lead to a worsening in Nigeria's terms of trade C is not correct because it will reduce the transportation costs in Nigeria D is not correct because it will increase Nigeria's budget deficit	(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 it shows the relationship between exchange rates and balance of payments on current account B is not correct because it shows the relationship between the rate of inflation and unemployment rate C is not correct because this is a graphical representation of income inequality	(1)



5	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 B <i>A is not correct because the tax burden on the working population is likely to rise by 2070</i> <i>C is not correct because the working population is forecast to fall by 16 percentage points</i> <i>D is not correct because social welfare spending on the population aged 65 years and over is likely to increase</i>	(1)
6	QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the price of Afghanistan's imports have fallen relative to the price of its exports</i> <i>B is not correct because the average price of Afghanistan's exports have increased relative to the average price of its imports</i> <i>D is not correct because there will be no impact on the financial account of the balance of payments</i>	(1)

Section B

Question Number	In 2018, the EU's rate of inflation was 1.6%. With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS7 Make calculations to convert from money to real terms. Up to 2 marks for calculations: • $(2\% + 1.6\%)$ (1) • $= 3.6\%$ (1) NB If correct answer (3.6%) is given, award full marks regardless of working NB Award only 1 mark for 3.6 without the percentage sign	(2)

Question Number	Explain what is meant by 'quantitative easing' (Extract A, lines 8-9). 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 of quantitative easing (1+1), e.g.: • Asset purchases by central bank (1) • Increases the money supply (1) • The central bank buys government bonds (1) Application Up to 2 marks for application to quantitative easing (1+1), e.g.: • €2.5 trillion quantitative easing programme (1) • Gave firms greater access to credit (1) • ECB has also indicated that it could extend this programme (1) • This would reduce fears of economic uncertainty (1)	(4)

5	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 <i>A is not correct because export prices have fallen at a faster rate than import prices</i> <i>C is not correct because export prices have fallen at a faster rate than import prices</i> <i>D is not correct because export prices have fallen at a faster rate than import prices</i>	(1)
6	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 there will be a fall in both unit labour costs and export prices</i> <i>C is not correct because there will be a fall in both unit labour costs and export prices</i> <i>D is not correct because there will be a fall in both unit labour costs and export prices</i>	(1)

Section B

Question	With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS7: Make calculations to convert from money to real terms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 8.25 – 11.76 (1) • -3.51 (1) Award full marks for the correct answer (-3.51) Award one mark for 3.51 without the minus sign	(2)

Question	With reference to Figure 3 and Extract A, analyse two factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira. 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 and analysis Up to 2 marks for identifying two factors and up to two marks for linked explanations showing the factors that may have led to a depreciation of the Turkish lira, e.g.: • If Turkey's inflation rate is higher (1K) than its trading partners, the demand for the lira will decrease, hence reducing the value of the lira (1AN) • Large current account deficit (1K) implies that the supply of the lira will be high relative to the demand/less demand for lira due to lower value of exports, hence value of lira would fall (1AN) • Increase in capital flight (1K) may result in the lira being sold to buy dollar assets; increasing the supply of the lira in the foreign exchange markets, causing value of the lira to fall (1AN)	

	graphical, tabular and numerical forms.	A is not correct because this is represented by the Harrod-Domar model C is not correct because this is represented by the Phillips curve D is not correct because these are instruments of monetary policy not represented by the Laffer curve	(1)
5	QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because Maldives had to export less goods to purchase a given quantity of imports C is not correct because index of export prices exceeds the index of import prices throughout the given period D is not correct because Maldives' terms of trade improved throughout the given period/Between 2000 and 2016 Maldives' terms of trade improved by 2.5%	(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 D A is not correct because the distribution of income in Brazil has become more unequal B is not correct because the Gini coefficient shows changes in income inequality C is not correct because the income inequality in Brazil increased by 0.6 percentage points (not percent)	(1)

5	QS5: Calculate and interpret index numbers 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 this uses 2018 as the base year</i> <i>C is not correct because this calculates the index number for 2019, using 2018 as the base year</i> <i>D is not correct because this calculates the index number for 2019, using 2020 as the base year</i>	(1)
6	QS5: Calculate and interpret index numbers 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 will reduce Afghanistan's terms of trade</i> <i>B is not correct because this will reduce Afghanistan's terms of trade</i> <i>C is not correct because this will reduce Afghanistan's terms of trade</i>	(1)

Section B

Question	In 2020 Iran's GDP was \$635.72 billion. With reference to Figure 3, calculate Iran's national debt in 2020. You are advised to show your workings. 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: • $45.4\% \times \\$635.72 \text{ billion}$ (1) • $\\$288.62 \text{ billion}$ (1) Award full marks for the correct answer (\$289bn / \$288.6bn) Award only one mark if billion not mentioned (\$289 / \$288.6)	(2)

5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</i> <i>B is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</i> <i>D is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</i>	(1)
6	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 <i>A is not correct because this would have increased Pakistan's terms of trade</i> <i>C is not correct because this would have increased Pakistan's terms of trade</i> <i>D is not correct because this would have increased Pakistan's terms of trade</i>	(1)

Section B

Question	With reference to the second and third paragraphs of Extract C, calculate the amount saved from the total cash payments made by the Japanese Government. You are advised to show your working.	Mark
7(a)	Answer 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: • \$350 billion $\times$ 0.7 (1) • \$245 billion (1) NB Award full marks for the correct answer (\$245 billion) NB Award only 1 mark if billion not included	(2)

5	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 the central bank would sell US dollars</i> <i>C is not correct because this would further depreciate the yen against the US dollar</i> <i>D is not correct because the central bank would buy Japanese yen</i>	(1)
6	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 <i>A is not correct because between 2000 and 2018 Bosnia and Herzegovina's terms of trade improved by 73.3%</i> <i>C is not correct because Bosnia and Herzegovina had to export fewer goods and services to purchase a given quantity of imports</i> <i>D is not correct because the index of export prices exceeds the index of import prices throughout the given period</i>	(1)

Section B

Question	With reference to Figure 1 and Figure 2, calculate the value of Greece's national debt in 2022. You are advised to show your workings.	Mark
	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: • $171.4\% \times \\$221.3 \text{ billion}$ (1) • $\\$379.31 \text{ billion}$ (1) NB Award 2 marks for correct answer ($\\$379.31 \text{ billion} / \\$379 \text{ billion}$) NB Award only 1 mark for $\\$379.31 / 379.31\%$	(2)

Question	Explain what is meant by 'deflationary fiscal policies' (Extract A, line 10)	Mark
	Answer	
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 deflationary fiscal policies, e.g.: • Government policies that involve an <i>increase</i> in taxation (1) and a <i>reduction</i> in government spending/public expenditure (1) • Deflationary fiscal policies aim to reduce AD/inflation (1) Application Up to 2 marks for application to deflationary fiscal policies, e.g.: • These policies were a condition of the loans (1) • Government of Greece was required to reduce its national debt (1) • Reduce pensions to the elderly in return for financial support (1) • The country's rate of economic growth fell by 25% (1) • Incomes of Greek citizens decreased by almost 30% (1) • The resulting increase in unemployment led to many young citizens leaving the country in search of work (1)	(4)

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 <i>A is not correct because this is the role of the IMF, not the World Bank</i> <i>B is not correct because this is the role of the IMF, not the World Bank</i> <i>C is not correct because this is the role of the WTO, not the World Bank</i>	(1)
2	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 <i>A is not correct because Hungary has a proportional tax system</i> <i>B is not correct because Hungary has a proportional tax system</i> <i>D is not correct because Hungary has a proportional tax system</i>	(1)
3	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 these tariffs are likely to protect employment in the steel industry</i> <i>C is not correct because these tariffs are likely to protect the domestic steel industry</i> <i>D is not correct because these tariffs will increase tax revenue</i>	(1)
4	QS1: Calculate, use and understand ratios and fractions. QS5: Calculate and interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because incorrect formula $(142.3-121.3)$ has been used to calculate Tanzania's terms of trade</i> <i>B is not correct because incorrect formula $(121.3/142.3 \times 100)$ has been used to calculate Tanzania's terms of trade</i> <i>D is not correct because incorrect formula $(142.3+121.3)$ has been used to calculate Tanzania's terms of trade</i>	(1)

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)

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 B A is not correct because the Lewis structural dual-sector model best explains industrialisation C is not correct because the Lewis structural dual-sector model best explains industrialisation D is not correct because the Lewis structural dual-sector model best explains industrialisation	(1)
2	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 will most likely lead to a worsening in Saudi Arabia's terms of trade C is not correct because this will most likely lead to an increase in Saudi Arabia's budget deficit D is not correct because this will most likely lead to a reduction in transportation costs in Saudi Arabia	(1)
3	QS4: Construct and interpret a range of standard graphical forms. 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 would cause the Lorenz curve to move away from the line of perfect equality C is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate D is not correct because this would cause the Lorenz curve to move away from the line of perfect equality	(1)



4	QS1: Calculate, use and understand ratios and fractions. 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 <i>A is not correct because this is 6.8%/1.1% and does not calculate the terms of trade</i> <i>B is not correct because this is 1.1%/6.8% x100 and does not calculate the terms of trade</i> <i>D is not correct because this is (index of import prices/index of export prices) x100 = 98.9/93.2 x 100</i>	(1)
5	QS4: Construct and interpret a range of standard graphical forms. 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 these are both instruments of monetary policy and are not represented by the Laffer curve</i> <i>B is not correct because this is represented by the Harrod-Domar model</i> <i>C is not correct because this is represented by the Phillips curve</i>	(1)
6	QS3: Understand and use the terms mean, median and relevant quantiles QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. QS11: Understand composite indicators.	The only correct answer is C <i>A is incorrect because Malaysia was more economically developed than Thailand</i> <i>B is incorrect because students spent longer in education in Thailand than in Malaysia</i> <i>D is incorrect because average incomes were lower in Thailand than in Malaysia</i>	(1)

Section B

Question	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.	Mark
	Answer	
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: • 500 - 100 (1) • 400% (1) NB Award 2 marks for correct answer (400%) NB Award only 1 mark for 400 without % sign	(2)

Question	Explain what is meant by 'interest rates' (Extract A, line 4).	Mark
	Answer	
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 interest rates, e.g.: • Cost of borrowing (1) • Reward for saving (1) • Monetary policy instrument (1) • Used to control inflation/AD (1) Application Up to 2 marks for application to interest rates, e.g.: • Rising base interest rates could lead to stagflation (1) • Many central banks have raised base interest rates in response to this inflationary pressure (1) • ECB increased its base interest rate from 0% to 1.25% (1) • This is an example of deflationary monetary policy (1)	(4)

Question	With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in <i>the terms of trade</i> of Southeast Asian countries. Indicative content	
7(e)	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. QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (8 marks) – indicative content Understanding/definition of terms of trade Factors include: • High relative inflation rates – “Thailand and Singapore, the rate of inflation is rising faster than the GDP growth rate”: if inflation rate in some Southeast Asian countries is higher than that of their key trading partners, then export prices will be rising relative to import prices • An increase in the price of exports relative to price of imports – “Rising food, fuel and commodity prices”/may refer to Figure 1 • A decrease in the price of imports relative to price of exports – “Philippines, for example, relies on imports of rice and is a net importer of food and fuel” /may refer to Figure 1 • Lower relative productivity rates – if productivity rates in some Southeast Asian countries are lower than that of their key trading partners, then export prices will be rising relative to import prices • Higher relative labour costs – if labour costs (both wage and non-wage costs) in some Southeast Asian countries are higher than that of their key trading partners, then export prices will be rising relative to import prices • Appreciation/revaluation of a country’s exchange rate – export prices rise as exports become relatively expensive and import prices fall as imports become relatively cheap • Protectionist policies, e.g. tariffs – if a government of a Southeast Asian country reduces tariff on imported goods then this would cause a decrease in import prices	
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. Ability to apply knowledge

		and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that 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 (6 marks) – indicative content • Depends on the main reason for the improvement in the terms of trade/ prioritisation of the most significant factor • Improvement in terms of trade may only be temporary e.g. if the prices of commodities fall – may make reference to Figure 1 • Different factors affect different Southeast Asian countries who may be net importers or net exporters – may make reference to Figure 1 • The Philippines is a net importer of commodities and therefore not likely to experience an improvement in its terms of trade • Importance of labour costs depend on whether country tends to import and export more labour-intensive or capital-intensive goods and services • Different factors could be more important for Southeast Asian countries at different times, e.g. Southeast Asian countries who are more dependent on primary products, may find that its terms of trade will decrease over time – reference may be made to the Prebisch-Singer hypothesis • Depends on how long the terms of trade rise for, and how big the rise is, e.g. in the long-run “price controls” can worsen terms of trade as export prices rise slowly relative to import prices for some countries • It is likely to be a combination of factors, and not just one factor, that will have a greater influence on the terms of trade of Southeast Asian countries		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro. Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer. 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 of currency appreciation Economic effects include: • Less inward FDI flows into the USA and more outward FDI flows from the USA, thereby worsening the financial account position of the balance of payments • A worsening in the current account position of the balance of payments as exports would become relatively expensive and imports become relatively cheap, worsening USA's international price competitiveness • Decrease in net exports due to lower injections and higher leakages, thereby decreasing aggregate demand: leading to lower economic growth and living standards in the USA • Increase in unemployment/decrease in employment as there will be lower demand for labour (derived demand) due to less economic growth and less tourism in the USA • Inflationary pressures are likely to decrease as aggregate demand decreases. The appreciation may cause a decrease in the cost of imported raw materials and finished goods, leading to less cost-push inflation • Improvement in the USA's terms of trade • Fall in debt burden for the US Government and for USA-based banks with external debts N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer N.B. Award positive effects as KAA and negative effects as evaluation (or vice versa)

Section C

Question Number	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. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application, analysis (12 marks) – indicative content Definition or understanding of terms of trade • Price of exports falls relative to price of imports. This improves the trade balance, meeting the objective of balance of payments equilibrium on current account • Improving the trade balance may increase the aggregate demand in the country, leading to higher economic growth, and/or falling unemployment, particularly in the export industries • Inflation in the economy is likely to rise, as both demand-pull and cost-push (imported raw material) inflationary pressures increase • If there is falling unemployment, this is likely to have a positive effect on the government budget balance as transfer payments falls (automatic stabilisers) and tax revenue rises • Higher rates of economic growth may have negative effect on environment, as non-renewable resources are used more leading to external costs / larger negative production externalities • Higher rates of economic growth might have a large negative effect on income inequality as high returns accrue to the owners of the factors of production N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer N.B. Award positive effects as KAA and negative as evaluation (or 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 • Effect on current account depends on the PED for a country's imports and exports; current account on balance of payments has two other components, which may move in the opposite direction • Relatively expensive imports may lead to fall in SRAS, offsetting the positive effects on economic growth; changes in the other components of AD might compensate for this, and unemployment does not fall • Inflation depends on the level of spare capacity in the economy, the size of the multiplier effect, and all other things being equal • Cyclical budget deficit may be more damaging than structural budget deficit; it's dependent on how long terms of trade fall for and how big the fall is		

		- For most developed countries, growth has a positive effect on environment, as improved green technology is developed, and energy intensity falls - The size of the change in terms of trade – in the case of Cambodia (fell by 31%), it is significant
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.

Section C

Question	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. 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 of terms of trade • Understanding of worsening in terms of trade Possible factors could include: • Low relative inflation rates: decreases relative export prices • Higher relative productivity rates: reduces cost per unit and therefore export prices • Lower relative labour costs (both wage and non-wage costs): decreases cost per unit and therefore export prices • Depreciation/devaluation of the exchange rate: reduces export prices and increases import prices • Higher relative levels of capital investment: increases productivity, thereby decreases cost per unit and export prices • Change in the price of commodities, e.g. oil (a fall in the price of commodities for net exporters, and rise in price of commodities for net importers) • Falling competition in the markets of a country's main imports/ rising competition in the markets of a country's main exports • Protectionist policies, e.g. if a country raises a tariff on imported goods then this would cause an increase in import prices	
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 the most important factor • Different factors will be more important at different time periods, e.g. since 2020 relative inflation rates are likely to be more significant • It is likely to be a combination of factors that has led to a significant worsening in the terms of trade • Different factors will be important in different economies, e.g. the price of oil will be highly important in Saudi Arabia, but not in other countries • Depends what production of goods and services the country specialises in • Importance of labour costs depend on whether country tends to import and export more labour-intensive or capital-intensive goods and services • Exchange rates are very volatile and may not be the most significant factor as it could change frequently • Retaliation by countries in response to protectionist policies could quickly reverse the changes in terms of 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 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. 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 fiscal deficit • Meaning of structural fiscal deficit: estimate of how large the deficit would be if the economy were to operate at a normal, sustainable level of employment and activity/long-run trend rate of output • Meaning of cyclical fiscal deficit: usually caused by a deficiency in aggregate demand, e.g. when the economy is in a period of recession • Structural deficit could be permanent if no measures are taken to reduce or eliminate it, and this would imply continuous fiscal deficits and an increasing national debt • Structural deficits may require tax rises and/or cuts in public expenditure • Analysis of problems of a rising national debt include: ◦ reduction in the credit rating ◦ cost for the future generations ◦ crowding out (resource and financial) ◦ cost implications of servicing the debt ◦ danger of increased inflationary pressures • Cyclical deficit is likely to be temporary • Cyclical deficit may be necessary to generate economic growth during a period of economic decline N.B. Accept why structural fiscal deficit is more serious as KAA and why it is not as EV, or 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.

5	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 the EAC is a customs union</i> <i>B is not correct because the EAC is a customs union</i> <i>C is not correct because the EAC is a customs union</i>	(1)
6	QS4 Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is incorrect because government tax revenue is area BCDE</i> <i>C is incorrect because producer surplus increased by the area P_1P_2BA</i> <i>D is incorrect because consumer surplus decreased by the area P_1P_2EF</i>	(1)

	- Weak state of the economy (1K) would lower the confidence of speculators and foreign investors thereby reducing the demand for the lira, causing its value to fall (1AN) Application Up to 2 marks for application to the factors: - Figure 3 shows that between 2018 and 2020, the exchange rate depreciated by nearly 100% (1+1) - The Turkish currency depreciated from around \$1 = 4 lira (1) to \$1 = 8 lira (1) - Central Bank was concerned about the weakness of the lira and a high rate of inflation (1) - Economists warned that the risk of a financial crisis in Turkey was growing (1) - Demand and supply diagram showing a fall in exchange rate (1)	(6)
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Question	Explain what is meant by a 'customs union' (Extract A, lines 22-23).	Mark
	Answer	
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 customs union, e.g.: - Free trade between member countries (1) with a common external tariff on imported goods outside the region/bloc (1) Application Up to 2 marks for application to customs union, e.g.: - The European Union is a customs union (1) - Turkey is an important partner for the EU (1)	(4)

Question	With reference to the third paragraph of Extract A, analyse two roles of the World Trade Organization (WTO).	Mark
	Answer	
7(d)	Knowledge 2, Application 2, Analysis 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 roles and one mark for each linked explanation, e.g.: • To promote free trade/trade liberalisation (1K) by reducing trade barriers/tariff and non-tariff barriers/use of protectionist policies (1AN) • To set the rules of trade (1K) because greater trade flows could increase economic growth/employment/living standards (1AN) • To resolve trade disputes (1K) by providing a forum for members to negotiate trade agreements (1AN) Application Up to 2 marks for application to Extract A (1+1): • Was ineffective in preventing the USA and the EU from using protectionist policies (1) • Promoting trade with developing countries in Asia, Africa and South America (1) • China had established free-trade areas with 28 countries (1)	(6)

Question	With reference to the last paragraph of Extract A, examine two likely economic benefits to Turkey of joining the European Union. Answer	Mark
7(d)	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 2 marks for linked explanations showing the benefits to Turkey joining the EU, e.g.: • Economic growth (1K) as a result of free trade with other countries in the EU will also create employment (1AN) • Trade creation (1K) analysis based on the law of comparative advantage; specialisation and more trade (1AN) • Increase in FDI (1K) as TNCs may wish to invest inside the region to avoid barriers to trade, leading to greater injections (1AN) • Migration (1K) greater access to skilled workers due to the free movement of labour increasing efficiency and productivity (1AN) • Greater weight in trade negotiations (1K) when dealing with the countries outside the bloc and/or with the WTO (1AN) Application Up to 2 marks for application to sources, e.g.: • Establishing a stronger partnership with the European Union (1) • Governments of many EU countries believe that they have an economic interest in developing a mutually beneficial relationship with Turkey (1) • Turkey's long-term economic growth will depend on attracting foreign direct investment (1) • Use of relevant diagram supporting analysis (1) Evaluation Up to 2 marks for evaluative comments (2+0 or 1+1): • Trade diversion (1) could result in the distortion of comparative advantage/trade may be diverted away from low-cost producers outside the EU to high-cost producers within the EU (1) • Turkish firms would face significant competition from the most powerful TNCs (1) as these TNCs could have substantial monopoly power and economies of scale (1) • There will be a greater supply of labour (1) and this would reduce domestic wages/migrant labour may bring down local wages (1) / migration could lead to external costs (1) and also put pressure on infrastructure and public services (1)	

	Following Turkey's entry to the EU there may be large emigration to other EU countries (1) leading to loss of skilled labour (1)	(8)
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Question	With reference to the information provided, discuss the likely economic effects of a further increase in the base interest rate. Indicative content
7(e)	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 (8 marks) – indicative content - Increasing interest rate will increase the reward for saving and cost of borrowing, thereby reducing consumption and investment; AD will fall therefore not able to “support the country’s economic recovery” - An increase in the base interest rate will lower net trade due to the increase in the exchange rate of the lira – value of exports fall and could reduce the country’s export led growth; may also increase the “current account deficit” - Raising the base interest rate could help control inflationary pressures – Figure 2 shows that between 2018 and 2020, inflation has been above 10% - It would reverse negative real interest rates which reduces the real value of savings; interest on savings would be insufficient to meet increased cost of living causing households and firms to hoard cash – Figure 1 and Figure 2 - Raising the base interest rate would increase hot money flows; this is likely to increase the demand for the lira, increase the exchange rate and “avoid a currency crisis” - If the Central Bank did not raise the base interest rate, the exchange rate of the lira would continue to fall; firms that had foreign currency loans would be further constrained by the rising cost of servicing their debt - By raising interest rates and preventing the currency from falling further, the Central Bank will reduce any financial risks and bring stability in the economy – “Economists warned that the risk of a financial crisis in Turkey was growing”; this will help restore the confidence of foreign investors - Raising the base interest rate was the best policy instrument in increasing the exchange rate as the Central Bank could not intervene in the currency markets through foreign currency transactions – “have reduced most of the central bank’s foreign currency reserves”

Question Number	With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.	
	Indicative content	
7(e)	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. Knowledge, Application and Analysis (8 marks) – indicative content Benefits include: • Trade creation: an analysis based on the law of comparative advantage that increases specialisation and trade, raising world output and living standards. • Firms in the EU can raise production and can benefit from economies of scale. These firms will have access to larger more lucrative South American markets, hence allowing them to increase sales and expand their customer base • Consumers are likely to receive lower prices for goods and services, thereby increasing their consumer surplus. There would be greater choice available, e.g. larger choice of agricultural goods and lower prices of cars and beef • Increase in competition could lead to reduction in x-inefficiency and greater allocative efficiency; “greater competition for Mercosur’s car manufacturers and for the EU’s beef farmers” • Increase in innovation and transfer of ideas. This will lead to an increase in dynamic efficiency and lead to long term productivity gains • Tariff diagram to show impact of trade agreement	
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.

		Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that 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 (6 marks) – indicative content - Imports from Mercosur may increase more than exports to Mercosur from the EU. This will lead to deterioration in the current account of balance of payments for EU countries - If the USA decides to impose trade barriers on the EU, it could lead to trade diversion, which would distort any comparative advantage causing a loss of specialisation and dampen the effects of trade with Mercosur; “Donald Trump is threatening to increase trade barriers with China and the EU” - Firms in the EU may be unable to compete with the goods and services from Mercosur and could go out of business, causing a rise in unemployment. EU firms would face large unrestricted competition from powerful TNCs based in Mercosur countries - Greater competition for the EU’s beef producers – it might make them unprofitable - Quality of goods and services from Mercosur countries may not be as high as compared to the EU. Consumers are unlikely to benefit from this trade deal - Germany is strongest participant in the EU and may be able to dictate terms to suit themselves at the expense of other EU member countries. So benefits of the trade agreement will not be equally shared by all - Trade agreement is unlikely to be highly successful if there is no perceived coordination between all the member countries in both the trading blocs; “There has also been disappointment amongst EU countries about the lack of co-ordination”

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question Number	According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019. Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice 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. Knowledge, Application, Analysis (12 marks) – indicative content Understanding of international competitiveness • Greater levels of, or more targeted, spending on education and training. This investment in human capital will improve skills (reduce skills gap) and hence productivity levels, which will lower cost per unit • Incentives for exporters through tax breaks, reduction in corporation tax, subsidies, lower interest rates, etc. This will allow them to undertake more investment as a result of lower costs and reduce export prices • Measures to reduce the external value of the domestic currency to make exports more price competitive e.g. reduction in interest rates; quantitative easing • Privatisation, deregulation and trade liberalisation will increase competition in domestic markets making firms more efficient as the barriers to entry to markets will be low. This would reduce cost per unit, and consequently, the market prices • More spending on healthcare will create a healthier and more productive workforce. This will lead to an increase in GDP and allow for significant improvements in the quality of output • Developments to the infrastructure through improved transport links and communications will encourage more trade and lead to increase efficiency

Question	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.	
	Indicative content	
7(e)	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 (8 marks) – indicative content • “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 foreign direct investment.” • China also became a member of RCEP, a free-trade area • Trade creation: an analysis based on the law of comparative advantage; greater specialisation and more trade; increases domestic output and thus living standards – “could increase the country’s rate of economic growth and improve its economic development” • Less dependence on developed countries such as the USA and the EU (use of Figure 2) who are “China’s largest export markets”: diversifying trade to reduce risks – “by promoting trade with developing countries in Asia, Africa and South America”; increase in GDP/rising incomes/falling unemployment • Improvement in current account of BOP: due to an increase in exports – “China’s exports to these 28 countries in 2023 contributed to nearly 38% of its global exports” • Benefits to domestic businesses: increased production so that they can benefit from economies of scale; businesses have access to larger and potentially more lucrative markets so they can increase sales • Removal of “restrictions on FDI”: greater injections into the circular flow • Increase in innovation and transfer of ideas: could lead to an increase in dynamic efficiency for businesses in China • Increase in competition between businesses: this could lead to a reduction in x-inefficiency; and to an increase in allocative efficiency • Benefits to consumers: lower prices and therefore increase in consumer surplus; more choice and variety of goods and services • Reduction in transaction costs involved in trade e.g. less bureaucracy	
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. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that 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 (6 marks) – indicative content • Could lead to trade diversion and distortion of comparative advantage • Imports may increase more than exports causing a deterioration in the current account of the balance of payments of China • There may be an increased interdependence on the economic performance of the other countries in the RCEP; greater impact of external shocks • Domestic businesses may be unable to compete with businesses based in other member countries and exit the market, causing unemployment • Small domestic businesses may face unrestricted competition from powerful TNCs and could exit the market • China is likely to gain more benefits from countries in close geographic proximity than those that are distant (may refer to transport costs) • Economic benefits from RCEP are likely to be greater than the economic benefits from forming 28 free-trade agreements with other countries – “a free-trade area, that contributes to one-third of the world’s GDP” • The agreements have been formed with 28 countries, so the economic benefits to China are likely to be sizable – 38% of China’s global exports • SR vs LR arguments: benefits may not last because the USA and the EU are large export markets to be isolated from – “China cannot easily replace its loss of trade with the USA and the EU by trading with other countries and regions” (use of Figure 2)		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	In 2022 Türkiye's deficit on the current account of the balance of payments was \$48.75 billion. In the same year, Canada's deficit on the current account of the balance of payments was \$6.65 billion. Evaluate measures that could be taken to reduce a current account deficit on the balance of payments. Refer to a country of your choice 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 of current account deficit Measures to reduce a current account deficit include: • Increase income tax rates/decrease government spending (deflationary fiscal policy) to reduce disposable incomes: lowers marginal propensity to import, reducing the value of imports • Increase in interest rates (deflationary monetary policy) to reduce the average price level/consumer spending: increases cost of borrowing and reward for saving, thus reducing marginal propensity to import • Improvements in education and training (supply-side policy): increases human capital and productivity, increasing competitiveness, thereby reducing the cost per unit and increasing the value of exports • Improvements in infrastructure (supply-side policy): increases efficiency and productivity, increasing competitiveness, hence increasing the value of exports • Reduce the rate of corporation tax/offer tax relief to businesses who make investments into technological advancements/R&D (supply-side policy): increases dynamic efficiency, increasing competitiveness, thereby reducing the cost per unit and increasing the value of exports • Policies to reduce the external value of the currency: exports become more price competitive thus increasing in value/imports become less price competitive thus decreasing in value • Protectionist policies: e.g. tariffs increase the price of imports/quotas restrict the number of imports into the country • Diversification/industrialisation to produce exports with more value-added 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 C

Question	In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Evaluate the likely economic benefits to a country of joining a trading bloc. 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 of a trading bloc • Trade creation: An analysis based on the law of comparative advantage; greater specialisation and more trade • Benefits to domestic firms: increased production so that they can benefit from economies of scale; firms have access to larger and potentially more lucrative markets so they could increase sales • Increase in competition between firms: this could lead to a reduction in x-inefficiency; increase in allocative efficiency • Benefits to consumers: lower prices and therefore increase in consumer surplus; more choice and variety of goods and services • Increase in GDP/rising incomes/falling unemployment • Greater weight in trade negotiations/global trade agreements • Improvement in current account of BOP if the country increases its exports • Increase in labour market flexibility if free movement of labour is in place • Increase in innovation and transfer of ideas: could lead to an increase in dynamic efficiency • Reduction in transaction costs involved in international trade e.g. less bureaucracy N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country 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 • Could lead to trade diversion and distortion of comparative advantage • Imports may increase more than the exports causing a deterioration in the current account of the balance of payments of the UK • There may be an increased interdependence on the economic performance of other countries in the CPTPP; greater impact of external shocks • Domestic firms may be unable to compete with goods from other member countries and go out of business causing a rise in unemployment • Domestic firms may face large unrestricted competition from the world's most powerful TNCs, and could exit the market • The strongest participant in CPTPP might be able to dictate terms to suit themselves; UK will not have a big weight as they will be new to the bloc • Countries in close geographic proximity will gain more benefits than those distant from the largest countries in the bloc • There will be loss of independence and sovereignty for the UK as decisions made would apply to all the countries in the trading bloc • Inefficient producers within the bloc can be protected from efficient ones outside the bloc • CPTPP is a very large trading bloc, so any likely benefits may be substantial
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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 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion. Evaluate possible causes of a current account surplus. Refer to a developed 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 current account surplus • Higher productivity – more educated/skilled workforce, reducing unit costs and therefore more competitive in terms of labour costs • Fall in the external value/depreciation of a country's currency – makes exports relatively cheap and imports relatively more expensive • Relatively low inflation rates – Singapore's rate of inflation is relatively lower than most developed countries • Increase in demand for goods and services from the rest of the world • Falling real wages/incomes in Singapore, reducing demand for imports • Lower regulation/bureaucracy in Singapore, reducing costs of production • Protectionist policies designed to reduce country's dependence on imports • Reputation for producing high quality and highly reliable goods/services • Previous investment in modern technology, e.g. on machinery/equipment • Rise in price of key commodity exported, e.g. Singapore and petroleum • Firms in Singapore benefiting from external economies of scale • Abundance of raw materials – highly demanded by other countries, e.g. Saudi Arabia and oil • Increase in the world price of commodities; more relevant to countries in which commodities are a high proportion of exports N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer

Question	Evaluate the costs to a country of becoming a member of an economic and monetary union. 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 an economic and monetary union Costs include: • High transition costs: Romania will have to replace their currency when adopting the euro; changes to bank notes/coins will be required • Loss of independent monetary policy: Romania's central bank no longer has control over influencing interest rates/quantitative easing; will now be done centrally by ECB – one policy fits all • Loss of ability to depreciate currency in recession: Romania's central bank will not be able to influence the external value of the currency, leaving the country more vulnerable to external shocks • The union is likely to have a growth and stability pact that is likely to limit expansionary fiscal policy in a recession: restricts amount of government borrowing, therefore making it harder to come out of a recession • Membership of economic and monetary union may expose the government to financial costs of future bailouts of under-performing countries • Difficult to exit the economic and monetary union once a country has joined • Costs of a trading bloc/single market e.g. trade diversion, increased costs of immigration N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to both economic <i>and</i> monetary union 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 • Eliminates/reduces transaction costs or currency conversion costs in an increasingly integrated regional market: makes it easier and cheaper for firms and consumers to engage in trade • Greater price transparency: easier to check different prices in the same currency - hence increasing inner-regional competition/contestability and market efficiency • Greater certainty for firms investing in capacity to export to other eurozone countries: will provide more stability and increase trade • Encourages inward foreign direct investment as more foreign firms would be keen to invest in eurozone area because of easier trading conditions • Offers more incentives: more pressure to increase productivity and keep inflation low, otherwise become uncompetitive • The euro is likely to be more stable than other currencies; this will reduce currency risks making it easier for countries to borrow • Benefits of a trading bloc/single market e.g. trade creation, immigration helping to fill skill shortages		

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.

4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because devaluation happens in a fixed exchange rate</i> <i>B is not correct because revaluation happens in a fixed exchange rate</i> <i>D is not correct because there is a decrease in the exchange rate</i>	(1)
5	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 net welfare loss areas are ABC and DEF</i> <i>C is not correct because producer surplus has increased by the area $P_1 P_2 B A$</i> <i>D is not correct because consumer surplus has decreased by the area $P_1 P_2 E F$</i>	(1)
6	QS5: Calculate and interpret index numbers.	The only correct answer is B <i>A is not correct because 100.0 represents the base year</i> <i>C is not correct because 101.9 is the index number for 2016 using 2015 as base year</i> <i>D is not correct because 102.8 is the index number for 2017 using 2015 as base year</i>	(1)

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 B <i>A is not correct because there will be an increase in unemployment</i> <i>C is not correct because there will be a decrease in injections</i> <i>D is not correct because there will be a decrease in inflationary pressures</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because it is a regressive tax</i> <i>B is not correct because it is a regressive tax</i> <i>D is not correct because it is an indirect tax</i>	(1)
3	–	The only correct answer is D <i>A is not correct because this is an example of an interventionist strategy</i> <i>B is not correct because this is an example of an interventionist strategy</i> <i>C is not correct because this is an example of an interventionist strategy</i>	(1)
4	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 government tax revenue area is BCDE</i> <i>C is not correct because net welfare loss areas are ABC and DEF</i> <i>D is not correct because producer surplus has increased by the area $P_1 P_2 B A$</i>	(1)

5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because consumer surplus has decreased by the area P_1P_2EF</i> <i>B is not correct because government tax revenue is the area BCDE</i> <i>D is not correct because producer surplus has increased by the area P_1P_2BA</i>	(1)
6	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 there will be a rise in both unit labour costs and export prices</i> <i>B is not correct because there will be a rise in both unit labour costs and export prices</i> <i>C is not correct because there will be a rise in both unit labour costs and export prices</i>	(1)

Section B

Question	With reference to Figure 1, calculate the value of Ghana's national debt. 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: • $88.8\% \times \\$72.84 \text{ billion}$ (1) • $\\$64.68 \text{ billion}$ (1) NB Award 2 marks for correct answer ($\\$64.68 \text{ billion} / \\$64.7 \text{ billion} / \\$65 \text{ billion}$) NB Award only 1 mark for $\\$64.68 / 64.68\%$	(2)

	- 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 the information provided and your own knowledge, examine two likely problems arising from the fall in the number of Chinese tourists to Taiwan. Answer	Mark
7(d)	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 1 mark for knowledge of each problem (1+1) and 1 mark for linked analysis (1+1), e.g.: • Less tourists spending on goods/services provided in the local economy (1) will not help fill the foreign exchange gap/lower foreign exchange (1) • Less FDI by TNCs in Taiwan (1) less investment in infrastructure, hotels, associated services (1) • Lower injections could lead to slower economic growth (1) not creating enough employment: tourism is a labour-intensive industry (1) • Less tax revenue for the government from lower expenditure by the tourists (1) available to reduce inequality through income redistribution/preserve national heritage (1) Application Up to 2 marks for application to sources, e.g.: • Figure 1: Taiwan had only 2.71 million Chinese tourists in 2019 (1) down from 4.18 million in 2015 (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0): • Problems are likely to be significant (1) as there has been a 35% fall in tourist numbers (1) • There might not be a fall in FDI or economic growth as number of visitors from Japan and countries in Southeast Asia increased (1), Japan 33%/The Philippines 264%/Thailand 242%/Vietnam 173% (1) • Less tourists will reduce external costs (1) as there will be less pollution/waste/environmental damage (1)	(8)

	Application Up to 2 marks for application to Figure 3: - Iran's national debt increased from 11.7% of GDP in 2010 (1) to 45.4% of GDP in 2020 (1) - Between 2010 and 2020, Iran's national debt as a percentage of GDP increased by 33.7 percentage points (1)	(6)
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Question	With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'.	Mark
	Answer	
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 trade restrictions, e.g.: - Trade barriers/protectionist policies (1) designed to reduce/limit free trade/protect domestic industries (1) - Could be in form of tariffs/quotas/sanctions/subsidies/non-tariff barriers (1) Application Up to 2 marks for application to trade restrictions, e.g.: - Trade restrictions imposed on Iran's exports and imports (1) - Trade restrictions had been imposed in response to Iran's production of nuclear energy that was above the permitted international limit (1) - After two years of negotiations, the trade restrictions were gradually reduced / reduction in trade restrictions increased Iran's oil exports, its main source of export revenue (1)	(4)

Question	With reference to Figure 1, Figure 2 and the last paragraph of Extract A, examine two likely economic effects of trade restrictions reimposed by the US Government on Iran. Answer	Mark
7(d)	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 1 mark for each linked development e.g.: • Movement to a trade deficit (1K) as a result of the fall in demand for Iran's oil exports (1AN) • Fall in GDP/fall in economic growth/increase in unemployment (1K) as oil exports have fallen leading to a decrease in (X-M)/AD (1AN) • Higher cost-push inflation (1K) as a result of the decline in Iran's exchange rate (1AN) • Decrease in FDI (1K) leading to lower injections into CFI (1AN) Application Up to 2 marks for application to sources (1+1), e.g.: • Figure 1 – Iran experienced a recession in 2019 (1) • Figure 2 – Inflation rose to nearly 50% in 2019 / “75% fall in the external value of the country's currency, the <i>Rial</i>” (1) • Trade deficit of \$11.68 billion in 2020 (1) Evaluation Up to 2 marks for evaluative comments (2+0 or 1+1): • Most significant effect is fall in oil exports (1) as this would reduce exports earnings/GDP and cause the economy to collapse (1) • Trade restrictions were only reimposed by the USA (1) so Iran can form closer trade relationships with other countries (1) • Effects likely to be significant (1) as the USA is one of the leaders of global trade and other advanced countries might follow by also imposing trade restrictions on Iran (1)	(8)

Question	Explain what is meant by 'protectionist policies' (Extract A, line 14). 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 protectionist policies, e.g.: • Barriers to/restrictions on (1) (free) trade (1) • Tariffs/quotas/non-tariff barriers/subsidies (1) • Protect domestic industries/employment / prevent dumping / reduce trade deficit/imports (1) Application Up to 2 marks for application to Extract A (1+1): • Growth in trade and investment increased at a slower rate (1) • Use of protectionist policies by the USA and the EU on China / to protect national security (1)	(4)

	• Depreciation of <i>Rial</i> against US dollar will make Iran's exports more price competitive (1) and improve their trade balance in the LR (1) • In the long-run changes in the presidents of Iran and the USA may reach an agreement (1) so effects may be reversed and oil exports may increase (1) • Iran may reduce its dependency on oil (1) and diversify into other sectors to avoid any future sanctions/for long term growth (1) • Iran had trade surpluses between 2005 and 2018 (1) so the trade deficit is unlikely to be a considerable issue (1)	
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Question	With reference to Extract B, discuss the strategies introduced by the Iranian Government to promote economic development.
	Indicative content
7(e)	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 (8 marks) – indicative content Understanding of economic development • Industrialisation: ○ reduces dependency on primary products, e.g. oil ○ allows for the optimum utilisation of scarce resources – increases the quantity and quality of manufactured goods and contributes to Iran’s national income by adding value to primary resources ○ large scale production of goods available to consumers at low prices - increases consumer surplus and quality of living/living standards ○ creates job opportunities and raises per capita incomes, reducing poverty – reference to the Lewis structural dual-sector model ○ savings and the share of profits should both rise as a proportion of GDP – more funds available for investment in infrastructure and/or technology • Infrastructure development: ○ a strong network of utilities will make it easier for Iran to attract both domestic and foreign investment – improve infrastructure/technology ○ broadband users increased by 94.4m (between 2014 and 2021) and mobile phone users increased by 71.6m (between 2013 and 2021) ○ reduces geographical immobility of labour allowing workers to move for work – increases long term productivity and raises incomes ○ reduces unit costs and relative export prices as efficiency improves – trade/globalisation increases and incomes in Iran rise

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

	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country(s) or to the EU in their answer
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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 the reasons discussed • Significance of the size of the protectionist measure put in place: e.g. 25% tariffs on US products is relatively large, but depends on the size of tariffs that the US has imposed on EU products/how many goods the tariff apply to • Depends on which protectionist measures are put into place: comparison made between tariffs, quotas, subsidies, and non-tariff barriers • It is difficult for a government to decide which infant industries have potential comparative advantage – wasting financial resources if the industry is unable to gain economies of scale; it is not applicable to every developed country if most of their industries have reached maturity stage • Trade restrictions to protect geriatric industries will be ineffective if their average costs are significantly higher than those of foreign producers • Trade restrictions to protect employment may be ineffective if they distort comparative advantage leading to a reduction in specialisation and trade, lower GDP, and therefore, lower overall employment • Consideration of the extent to which the sector is part of a strategic industry for the given country (given its other sectors); unlikely that a country which is in crisis or conflict will be cut off from all supplies • It is hard to differentiate whether dumping is exclusively done with the aim of forcing out domestic industries or whether the exporting countries really have significant economies of scale • If governments impose excessive import tariffs onto intermediate goods used by domestic firms in the production process, their costs of production will rise increasing prices, and hence exports fall at a faster rate than imports – deficit on the current account on the balance of payments worsens • Tax revenue is a small proportion of total government revenue in developed economies as they gain more from income and corporation tax – this is likely to be an important reason in developing economies; if demand for imports is price elastic, then little revenue will be raised • Tariffs may not be the most important factor in the restriction of free trade because rules and regulations regarding health and safety and environmental standards may be more significant in developed countries		
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 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. 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/definition of economic growth • Understanding/definition of economic development Economic factors include: • Volatility of commodity prices: due to price fluctuations, the producers do not have stable incomes and hence, cannot plan future output and investment • Primary product dependency (the Prebisch-Singer hypothesis): countries that export commodities would be able to import less for given volume of exports; terms of trade between primary products and manufactured products worsen over time due to the low-income elasticity of demand for primary products • Savings gap (the Harrod-Domar model): low savings, low investment, low capital accumulation, low growth/income; can be caused by factors such as lower GDP per capita, debt repayments, capital flight, absence of FDI • Foreign currency gap: developing countries may face a shortage of foreign exchange because of their dependence on export earnings from primary products; this is lower than their expenditure on imports of manufactured goods/capital • Capital flight: individuals/firms in developing countries decide to remove their deposits in domestic banks and place them in foreign banks, or buy shares or assets in foreign countries – contributes to savings gap and foreign currency gap restricting economic growth and reducing the tax base of the country • Demographic factors (size and age distribution of population; migration): population growth leads to greater supply of labour and hence lower wages, GDP per capita will fall if GDP does not rise as fast as the population; ageing population will raise	

Question	Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries.
	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 and Analysis (12 marks) – indicative content • Impact on domestic prices and/or domestic production in developing countries, and on imports (could count as 2 points): ◦ Concepts might include consumers' and producers' surpluses - N.B. This analysis should be related to impact on developing countries • Impact of subsidies as a form of protectionism on developing countries • Impact on trade patterns: trade diversion away from low-cost producers to high-cost producers • Developing countries are unable to benefit from their comparative advantage in agricultural products, so limiting their economic growth and development • Impact of dumping of surpluses of agricultural produce by developed countries in developing countries • Impact of resource allocation in developing economies • Impact of agricultural subsidies on economies of developing countries (each point may be analysed separately), for e.g. on ◦ inflation ◦ inequality ◦ environment ◦ employment ◦ economic growth ◦ balance of payments N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country 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 • Different impact on different developing countries around the world • Impact on developing economies and on the global economy depends on amount of subsidy given – reference to \$238 billion • Time period – subsidies paid may be in response to the global health crisis, so may only be short-term • Such subsidies might encourage the developing countries to diversify into secondary and tertiary industries • Disadvantages associated with subsidies might be offset by benefits, e.g. reduced dependence on imports; increased food security; less subject to food price fluctuations • WTO is likely to intervene and reduce subsidies if used as a protectionist policy to protect domestic industries
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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.

Section C

Question	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. 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 of protectionist policies Possible effects could include: - Distortion of comparative advantage leading to less specialisation and reduced trade as a proportion of world GDP. This reduces world output - Higher prices for consumers as domestic firms face less competition from abroad, leading to greater global inflationary pressures - Higher prices for consumers, especially on goods and services that cannot be produced domestically, reducing consumer surplus - Diagrammatic analysis e.g. of the effects of tariffs/domestic subsidies on a particular country - Less choice for consumers as imports become more expensive; it will reduce global living standards - Greater chance of retaliation by countries using protectionist policies - Fewer firms may decide to export due to higher costs of bureaucracy, reducing global competition and therefore lower global GDP N.B. Candidates may explain negative effects as KAA and positive effects as evaluation (and vice versa) N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the global economy 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 • Magnitude – 2 500 new restrictions is likely to be very significant • Depends on the level of trade restrictions that countries have introduced • May only be short-term trade wars as countries could agree on new terms • WTO enforces global trade rules to ensure countries do not distort trade • Protection of infant industries to allow them time to grow and expand in order to benefit from economies of scale to compete internationally • Protection of geriatric industries allowing these to restructure/rationalise to become more competitive on a global scale • Protection of domestic industries helps to protect domestic employment and income, helping to reduce global inequality • Protection of an economy from a country dumping products on other countries – loss of jobs, output, etc. • Improvement in environment/decrease in external costs from transport • If tariffs are increased, greater tax revenue for the governments that could be used to reduce income 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	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.