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Write your name here

Surname	Other names

Pearson Edexcel
International GCSE

Centre Number | Candidate Number

Economics

Paper 1

Friday 29 January 2016 – Morning
Time: 2 hours 30 minutes

Paper Reference
4EC0/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 120.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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Answer ALL questions.

Some 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 Figure 1a shows the demand for and supply of chocolate.

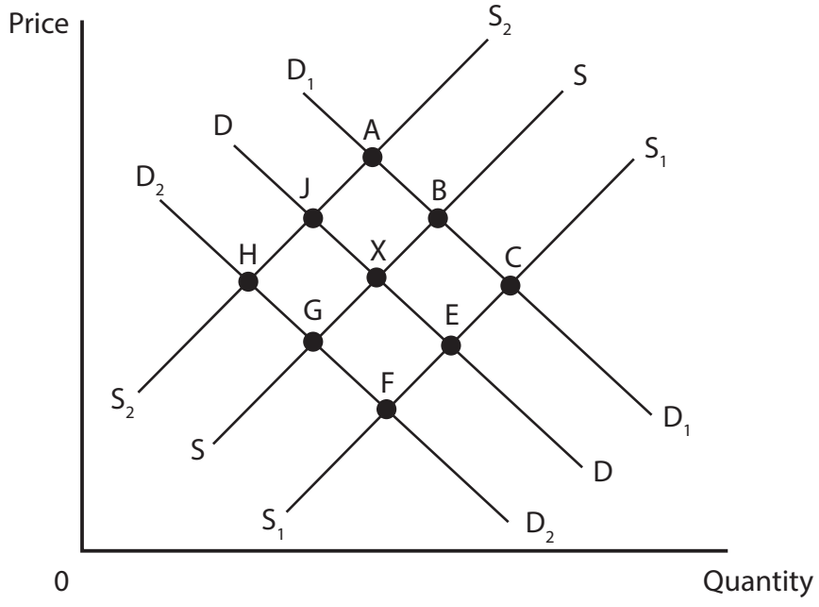


Figure 1a

(a) (i) The initial equilibrium position is **point X**. Illustrate on Figure 1a the equilibrium price **and** quantity at point X. Label the equilibrium price **Pe** and quantity **Qe**.

(2)

(ii) With reference to Figure 1a, state the **new equilibrium** position following a fall in the price of sugar (a main ingredient in chocolate) **and** a healthy eating campaign highlighting the health risks of consuming too many sweet treats.

(2)

New equilibrium position is point .....

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(iii) Explain your answer to (a)(ii).

(4)

(iv) The demand for chocolate is relatively price inelastic. What will be the effect on the total revenue of chocolate manufacturers if the price of chocolate rises?

(1)

- ☒ Total revenue will stay the same
- ☒ Total revenue will rise
- ☒ Total revenue will fall

(v) More than 2.1 billion people, or nearly 30% of the global population, are overweight or obese. Obesity is linked to an increased consumption of sugar. Identify and briefly explain **two** methods that a government could introduce to reduce the consumption of sugar.

(4)

1 .....

2 .....

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(vi) Discuss the **two** methods you have identified in (a)(v). Which do you think would be more successful in reducing the consumption of sugar? Give reasons for your answer.

(6)

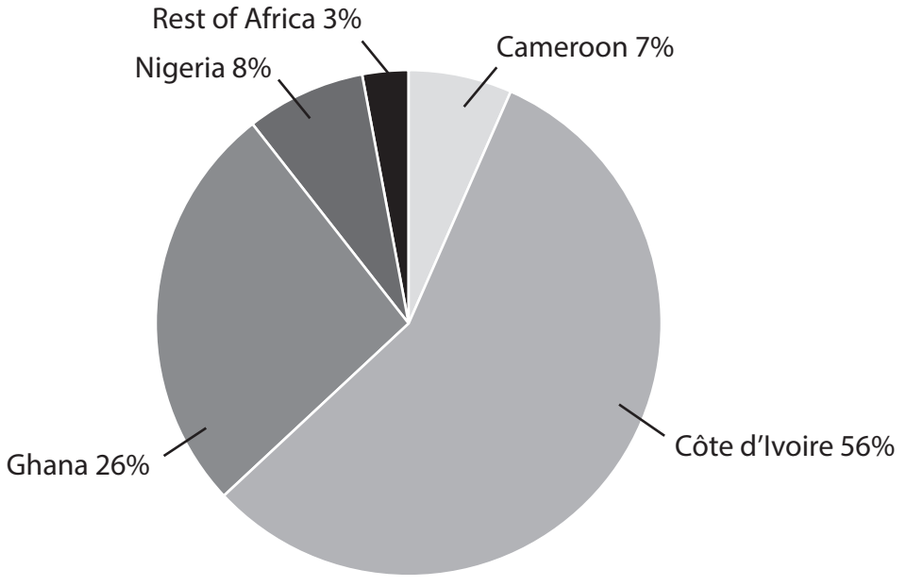
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Figure 1b shows the production of cocoa beans in Africa.

Production of cocoa beans in Africa 2014/15



(Source: www.icco.org)

Figure 1b

(b) (i) Referring to Figure 1b, what percentage of cocoa bean production in Africa is supplied by the **two** largest producers? Show your workings.

(2)

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Given the unprofitability of cocoa bean farming, some farms in Côte d'Ivoire are switching from cocoa farming to the more profitable rubber farming.

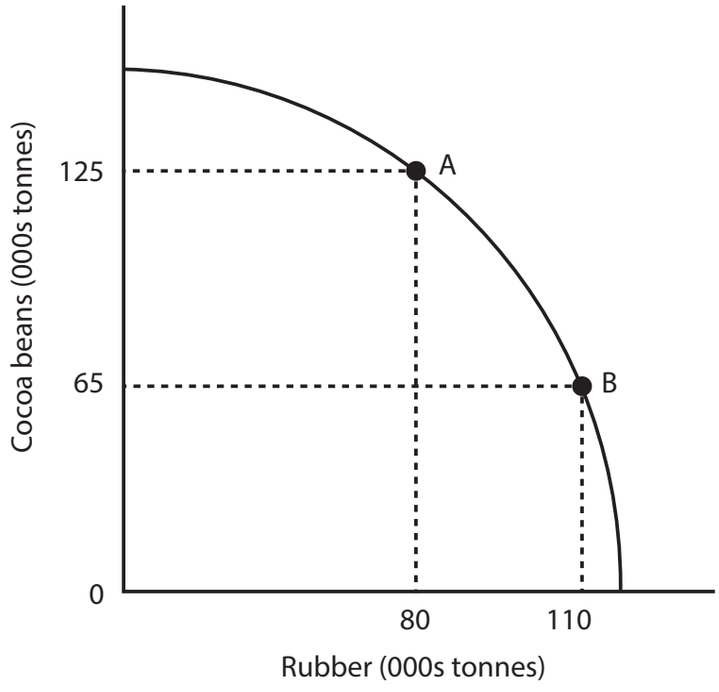


Figure 1c

(ii) Figure 1c shows that Côte d'Ivoire currently produces at point A. Calculate the opportunity cost of switching from point A to point B in terms of cocoa beans and rubber produced. Show your workings.

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(c) Many farm workers in Côte d'Ivoire live in poverty, earning as little as $2 a day. It has been suggested that introducing a minimum wage is the most effective method of increasing the incomes of farm workers. To what extent do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 1 = 30 marks)

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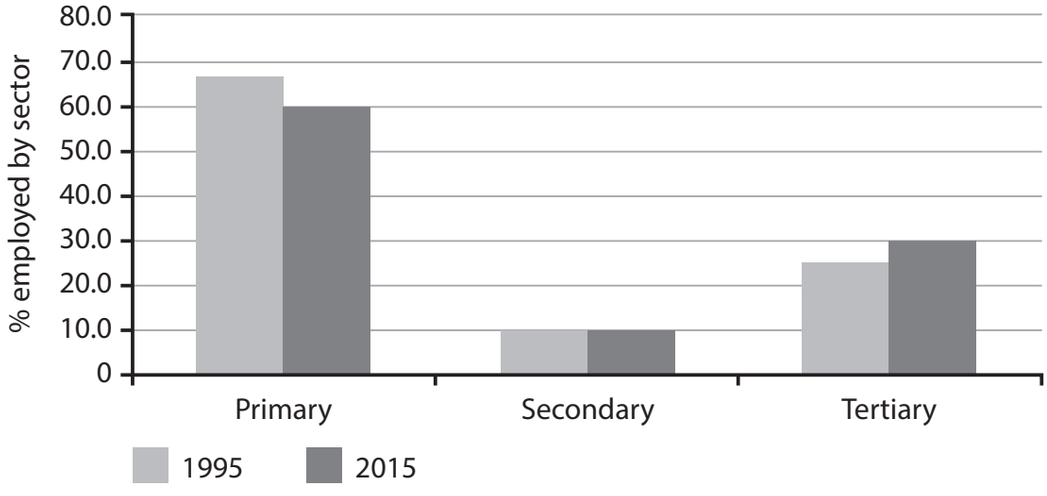
2 (a) (i) Tourism is part of the

(1)

- ☒ Primary Sector
- ☒ Secondary Sector
- ☒ Tertiary Sector

Figure 2a shows employment by sector in the developing economies of Sub-Saharan Africa in 1995 and 2015.

Employment by sector in developing economies in Sub-Saharan Africa



(Source: www.ilo.org)

Figure 2a

(ii) Using the data in Figure 2a, describe the changes in employment by sector in the developing economies of Sub-Saharan Africa between 1995 and 2015.

(4)

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(iii) How may employment by sector in a developed economy differ from that in a developing economy?

(3)

In 2015 eleven firms, representing 90% of France's yogurt makers, were fined by French competition authorities for engaging in a price-fixing cartel. The cartel fixed prices for several products including yogurt.

(Source: adapted from http://www.reuters.com/article/2015/03/12/france-cartel-idUSL5N0WE1XR20150312)

(b) (i) Explain what is meant by a "cartel".

(2)

(ii) The French competition authorities imposed a fine on the yogurt manufacturers in the cartel. Identify and briefly explain **two other** methods the government could have used to promote competition in the yogurt market.

(4)

1

2

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(iii) Discuss the extent to which consumers will benefit from increased competition in a market.

(6)

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Many countries have undertaken privatisation programmes in recent years. In December 2014, plans were announced to privatise parts of Japan Post, a large postal and financial services organisation in Japan.

(Source: adapted from http://www.theguardian.com/world/2015/feb/23/ Japan Post privatisation moves closer)

(c) (i) Define the term "privatisation".

(2)

(ii) State **two** reasons why privatisation takes place.

(2)

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(iii) Do the disadvantages of privatisation outweigh the benefits to an economy? Give reasons for your answer.

(6)

(Total for Question 2 = 30 marks)

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QUESTION 3 BEGINS ON THE NEXT PAGE.

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3 (a) (i) Define the term unemployment.

(2)

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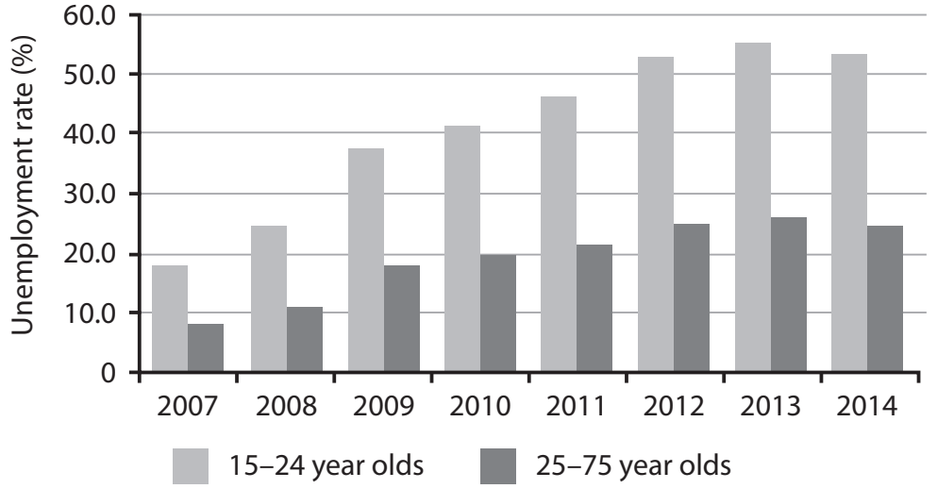
(ii) Sometimes people are unemployed when they move between jobs. What is the name given to this type of unemployment?

(1)

- ☒ Cyclical unemployment
- ☒ Frictional unemployment
- ☒ Structural unemployment
- ☒ Seasonal unemployment

Figure 3a shows the unemployment rate in Spain between 2007 and 2014 by age group.

Unemployment rate (%) by age in Spain from 2007 to 2014



(Source: Eurostat)

Figure 3a

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(iii) Using the data in Figure 3a, compare the changes in unemployment for 15–24 year olds and 25–75 year olds between 2007 and 2014.

(4)

(iv) Identify and briefly explain **two** possible reasons why the unemployment rate of people aged 15–24 years old differs from the unemployment rate for 25–75 year olds.

(4)

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(v) Discuss the extent to which supply side policies are likely to be successful in reducing unemployment.

(6)

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(b) (i) India's central bank cut its main interest rate in March 2015. This is an example of:

(1)

- ☒ Fiscal policy
- ☒ Supply Side policy
- ☒ Monetary policy

(ii) Examine the impact of a cut in interest rates on any **two** macroeconomic objectives.

(6)

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In 2014 the World Health Organization reported that 13 of the 20 most polluted cities in the world were in India.

(c) (i) Identify **two** types of pollution which occur in cities.

(2)

(ii) Identify and explain **one** possible method of reducing pollution in cities.

(4)

(Total for Question 3 = 30 marks)

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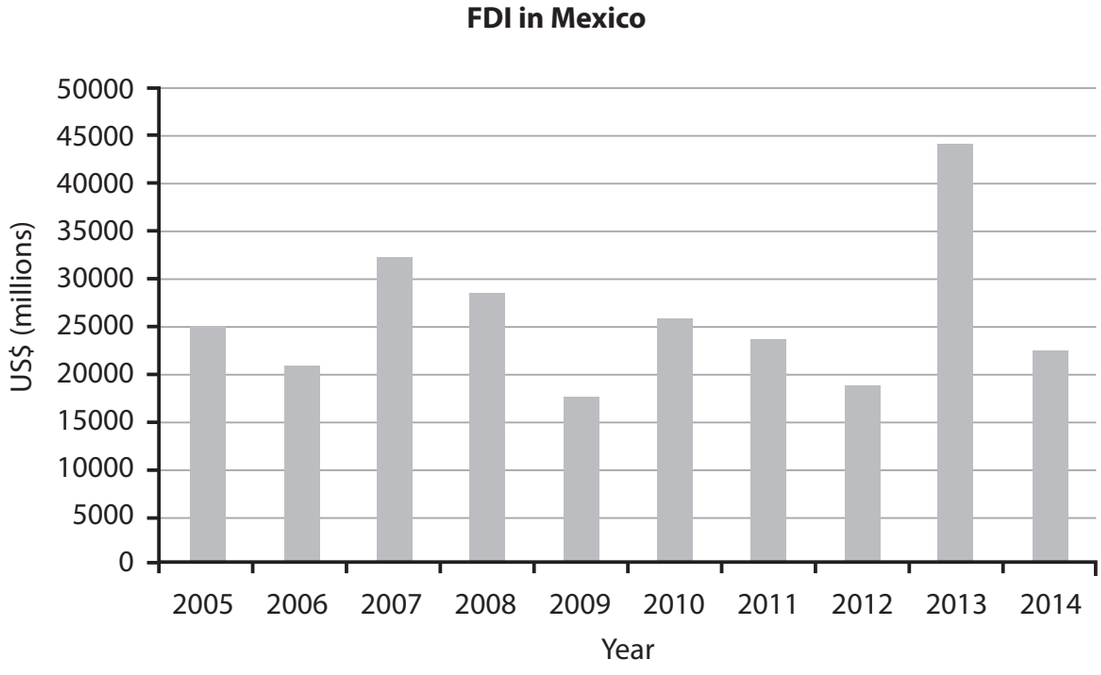
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4 (a) (i) Define the term foreign direct investment (FDI).

(2)

Figure 4a shows foreign direct investment (FDI) flows to Mexico from 2005 to 2014.



(Source: http://www.economia.gob.mx/trade-and-investment/foreign-direct-investment/official-statistics-on-dfi-flows-into-mexico)

Figure 4a

(ii) Using Figure 4a, in which year were FDI flows at their highest level?

(1)

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(iii) Briefly explain **two** ways in which the Mexican Government could encourage FDI.

(4)

The Mexican tax authorities have been investigating multinational companies for not paying enough tax to the government. A US multinational toy manufacturer was ordered to pay $65 million as a result of the investigation.

(Source: adapted from http://www.reuters.com/article/2015/02/04/us-mexico-hasbro-idUSKBN0L82GC20150204)

(b) (i) Explain what is meant by a multinational company (MNC).

(2)

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(ii) Consider whether "not paying enough tax" is the main disadvantage of MNCs' activities in developing countries. Give reasons for your answer.

(6)

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Figure 4b shows the exchange rate of the British pound (£) to the US dollar ($).



(Source: www.tradingeconomics.com)

Figure 4b

(c) (i) Define the term "exchange rate".

(2)

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(ii) With reference to Figure 4b, describe the changes in the exchange rate of the British pound to the US dollar between **July 2014** and **January 2015**.

(4)

(iii) Study Figure 4b and complete the following sentence using **one** of the choices below.

(1)

appreciated depreciated stayed the same

Between **July 2013** and **July 2014** the British pound has ..... against the US dollar.

(iv) Identify and briefly explain **one** factor which may increase the exchange rate of a country.

(2)

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(v) To what extent would a depreciation of a currency improve the balance of payments on current account?

(6)

(Total for Question 4 = 30 marks)

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