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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel International GCSE

Centre Number | Candidate Number

Monday 3 June 2019

Afternoon (Time: 1 hour 30 minutes) | Paper Reference **4EC1/02R**

Economics

Level 1/2
Paper 2: Macroeconomics and the Global Economy

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.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

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. Write your answers in the spaces provided.

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 (a) In a recovery, a country's Gross Domestic Product (GDP)

(1)

☒ **A** rises

☒ **B** falls

☒ **C** stays the same

☒ **D** fluctuates

(b) A trade bloc is a group of countries that have

(1)

☒ **A** the same interest rate

☒ **B** common borders between members

☒ **C** the same currency

☒ **D** a reduction in trade barriers between members

(c) What is meant by the term multinational corporation (MNC)?

(2)

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(d) Describe **one** impact of economic growth on the productive potential of a country.

(2)

Figure 1 shows the main components of Germany's current account in 2016.

	€ billion
Trade in goods (visibles)	+271.7
Trade in services (invisibles)	-22.4

Figure 1

(Source: Bundesbank)

(e) Using the data in Figure 1, calculate in € bn the current account balance for Germany in 2016.

(2)

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(f) The UK exports goods to eurozone countries. Using the diagram below, draw the effects of an increase in exports from the UK to the eurozone on the exchange rate of the £. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

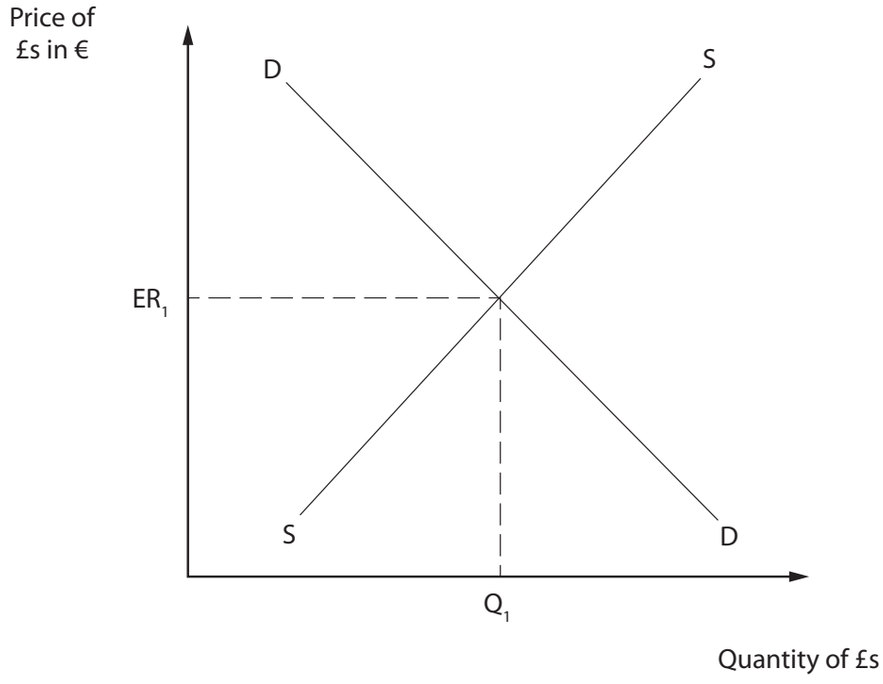


Figure 2

In September 2017, the growth rate of the gross domestic product (GDP) in the UK was 0.4%, a slight increase of 0.1% on the previous quarter.

(g) Explain **one** reason why economic growth is a key macroeconomic objective for a country such as the UK.

(3)

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The Government of Singapore had a fiscal surplus of 1.3% of GDP in 2016 and it is expected to have a 0.4% of GDP surplus in 2017.

(h) Analyse the impact of a fiscal surplus on a country such as Singapore.

(6)

(Total for Question 1 = 20 marks)

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2 (a) GDP per capita is a measure of a country's economic output that accounts for population.

If Sweden has a population of 10 million and a GDP of $511 bn (1bn = 1 000 000 000), then its GDP per capita is

(1)

- ☒ **A** $511
- ☒ **B** $5 110
- ☒ **C** $51 100
- ☒ **D** $511 000

(b) What is the name of the policy that focuses on interest rate changes?

(1)

- ☒ **A** Deregulation
- ☒ **B** Exchange rate
- ☒ **C** Monetary
- ☒ **D** Fiscal

(c) State **one** impact of a current account deficit.

(1)

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(d) What is meant by the term absolute poverty?

(2)

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In December 2017 the Thai baht appreciated to its highest value in 2 years against the US dollar. The Thai baht is predicted to continue its gradual appreciation in 2018.

(e) Explain **one** disadvantage of an appreciating currency for an economy such as Thailand.

(3)

President Xi Jinping of China has made environmental protection a priority. This is due to rising public concern over widespread environmental damage caused by years of uncontrolled economic growth.

(f) Explain **one** possible negative effect on the environment caused by the economic growth of a country such as China.

(3)

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A new UK report identified the urgent need to reduce pollution from vehicles and provide more open spaces and parks.

Researchers looked at the impact on health when participants walked for two hours on London's busy Oxford Street. This was then compared to those walking in the nearby large open space of Hyde Park.

The results showed that people walking in the park performed better. The air pollution from vehicle fumes largely removed the health benefit from the exercise in Oxford Street. The report suggests that people should avoid walking in busy streets and should instead walk in parks or open spaces.

(Source: adapted from http://edition.cnn.com/2017/12/05/health/exercise-polluted-urban-streets-intl/index.html)

(g) With reference to the data above and your knowledge of economics, assess whether the government should provide more parks and open spaces.

(9)

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(Total for Question 2 = 20 marks)

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3 (a) Kenyans who holiday in South Africa would be shown on the Kenyan current account as

(1)

- ☒ **A** an invisible import
- ☒ **B** a visible export
- ☒ **C** a visible import
- ☒ **D** an invisible export

(b) Which **one** of the following is an example of an indirect tax?

(1)

- ☒ **A** Inheritance tax
- ☒ **B** Income tax
- ☒ **C** Business tax
- ☒ **D** Value added tax

(c) Explain **one** way a government could reduce inequality and poverty.

(3)

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In December 2017, Argentina's Consumer Price Index (CPI) increased from 20.9% to 25%.

(d) Analyse the possible impact of high inflation on consumers in a country such as Argentina.

(6)

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Figure 3

In 2017, unemployment in South Africa reached its highest level in 13 years at 27.7%. Concerns have been expressed about the very high levels of youth unemployment and the social problems this might cause. Statistics show that 39% of all unemployed South Africans have never worked before and for young people this figure is even higher, at 60.3%.

(e) With reference to the data above and your knowledge of economics, assess the impact of high rates of unemployment on a country such as South Africa.

(9)

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(Total for Question 3 = 20 marks)

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4 Figure 4 shows the tariff on clothing imported into China in 2018.

Product	Imported Price yuan (¥)	Tariff (%)
Clothing	225	8

Figure 4

(a) Calculate the final selling price of clothing in yuan (¥) after the tariff has been added. You are advised to show your working.

(2)

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Current account balance for China 2015-2017 in US$bn

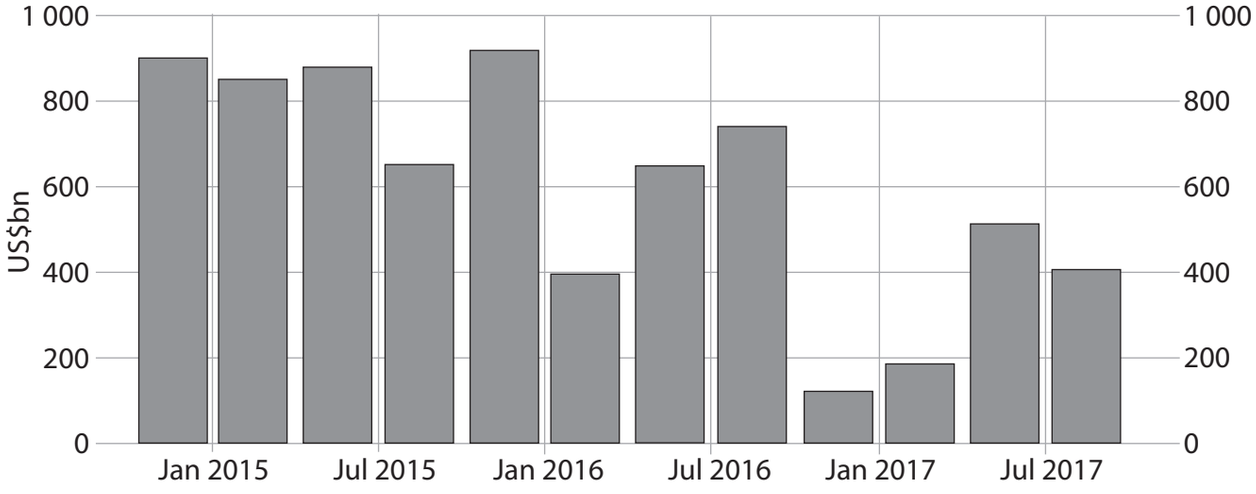


Figure 5

(Source: adapted from https://tradingeconomics.com/china/current-account)

(b) Analyse the benefits of a current account surplus for a country such as China.

(6)

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Following a trip to Asia in 2017 by US President Donald Trump, China has reduced tariffs from 17.3% to 7.7% on over 200 consumer products. These include pharmaceuticals, food, health supplements and clothing.

Many multinational corporations may have major financial gains. Nestle's sales could increase by 15% or $18.7bn because of the reduction in tariffs. Procter & Gamble, will also benefit from tariff reductions on items ranging from shampoos to electronic toothbrushes.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits of reducing the level of tariffs on imported goods and services to China.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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