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Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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# 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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**PEARSON**

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.

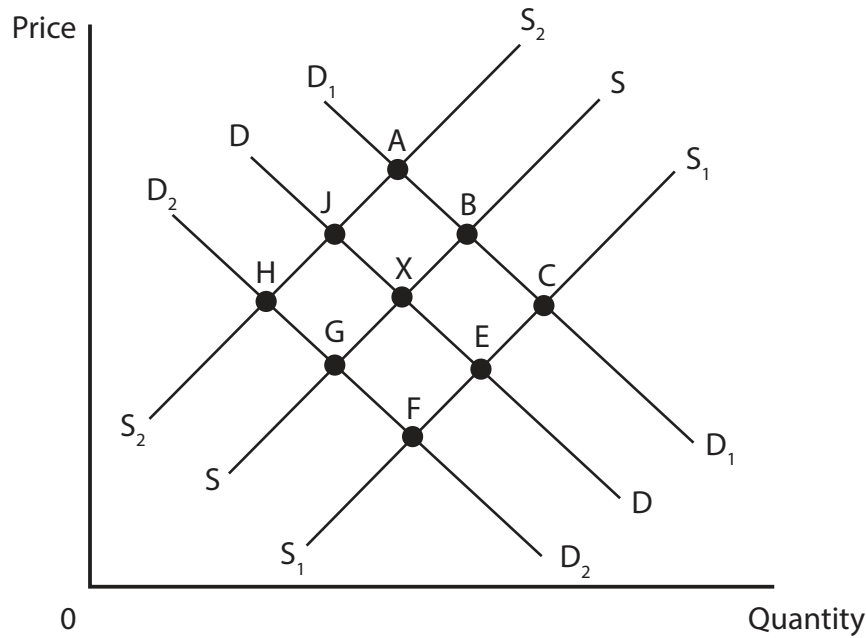


Figure 1a

- (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).

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(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.

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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.

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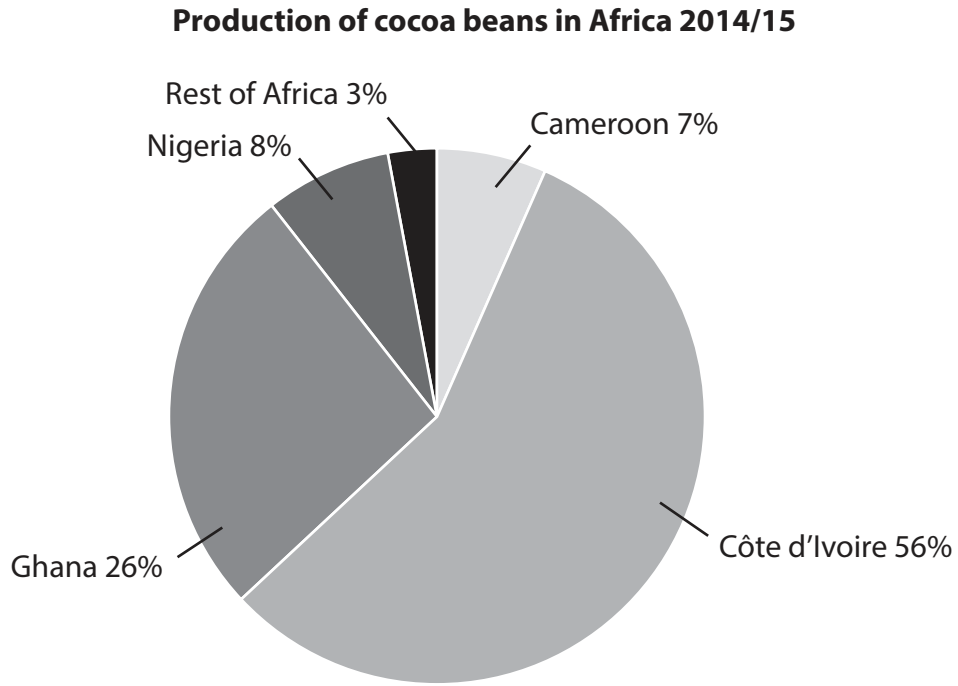
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Figure 1b shows the production of cocoa beans in Africa.



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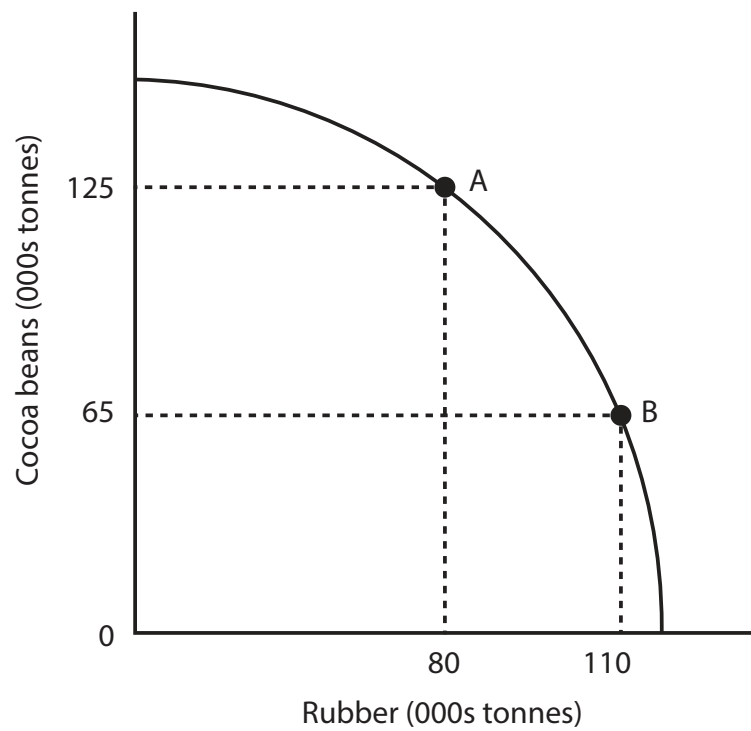
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Given the unprofitability of cocoa bean farming, some farms in Côte d'Ivoire are switching from cocoa farming to the more profitable rubber farming.



**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.

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(Total for Question 1 = 30 marks)



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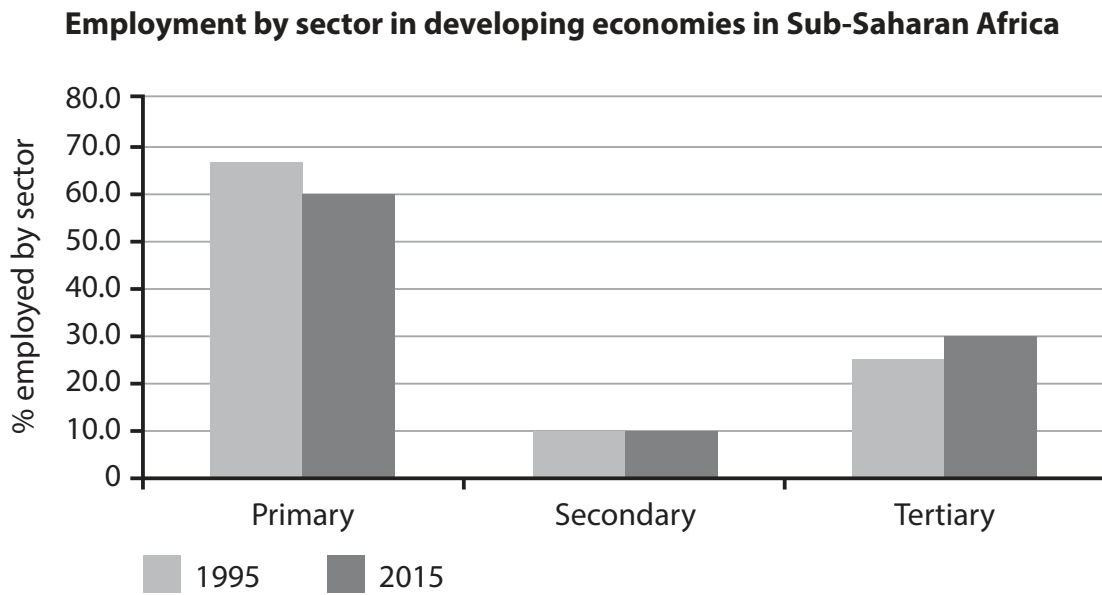
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2 (a) (i) Tourism is part of the

(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.



(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.

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

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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".

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

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**QUESTION 3 BEGINS ON THE NEXT PAGE.**



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

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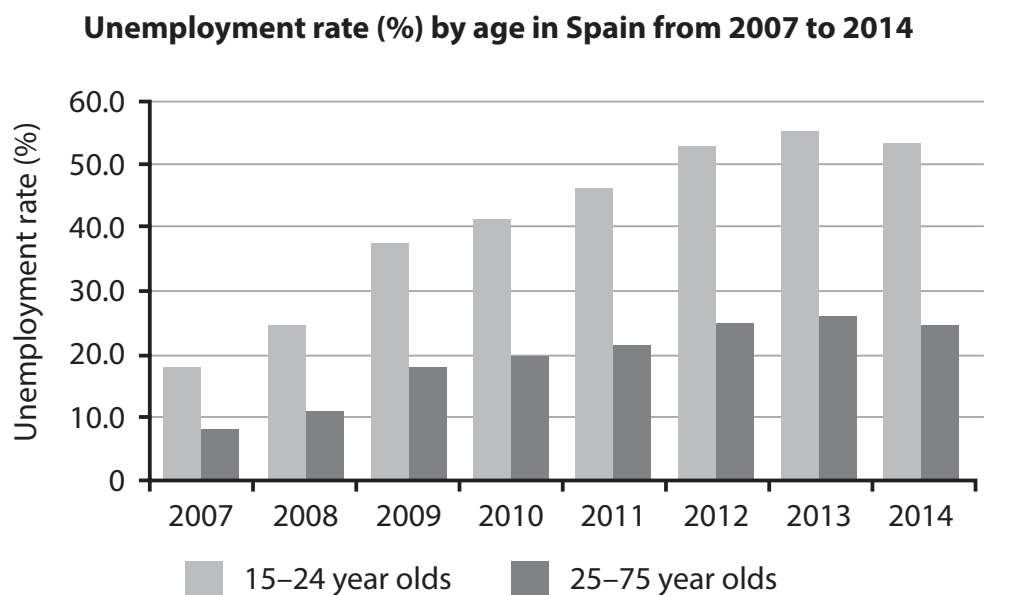
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(ii) Sometimes people are unemployed when they move between jobs.  
What is the name given to this type of unemployment?

(1)

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

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



(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.

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(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.

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

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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.

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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)

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

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

(2)

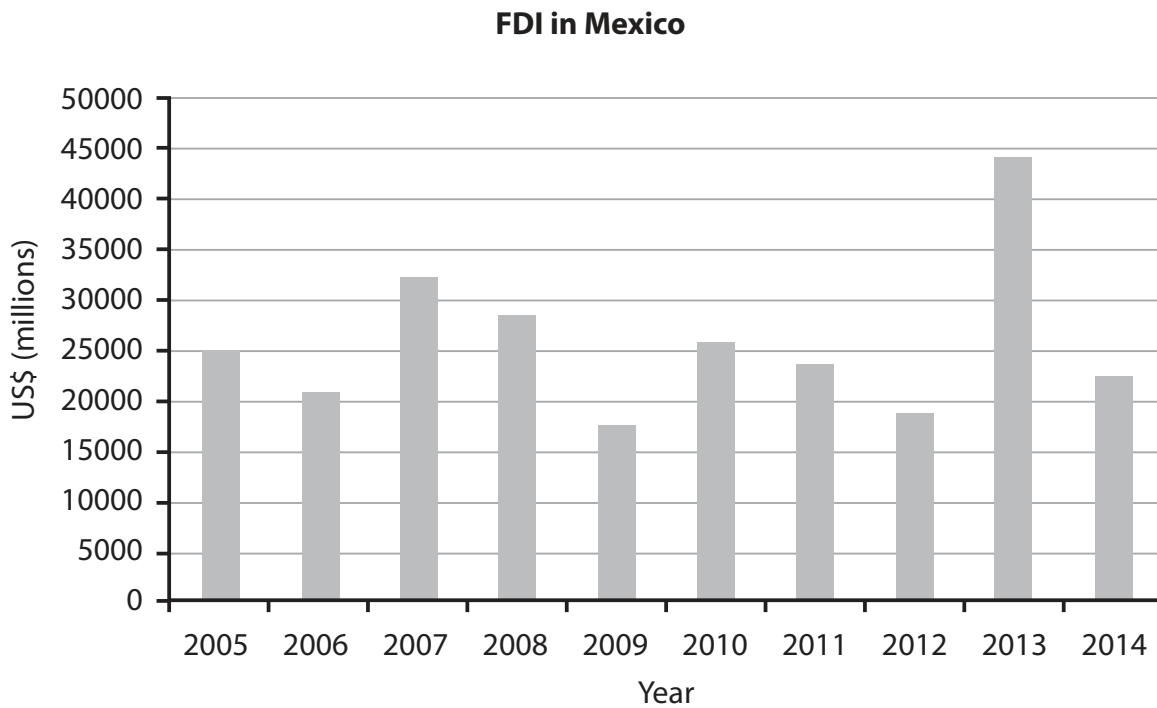
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Figure 4a shows foreign direct investment (FDI) flows to Mexico from 2005 to 2014.



(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.

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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).

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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.

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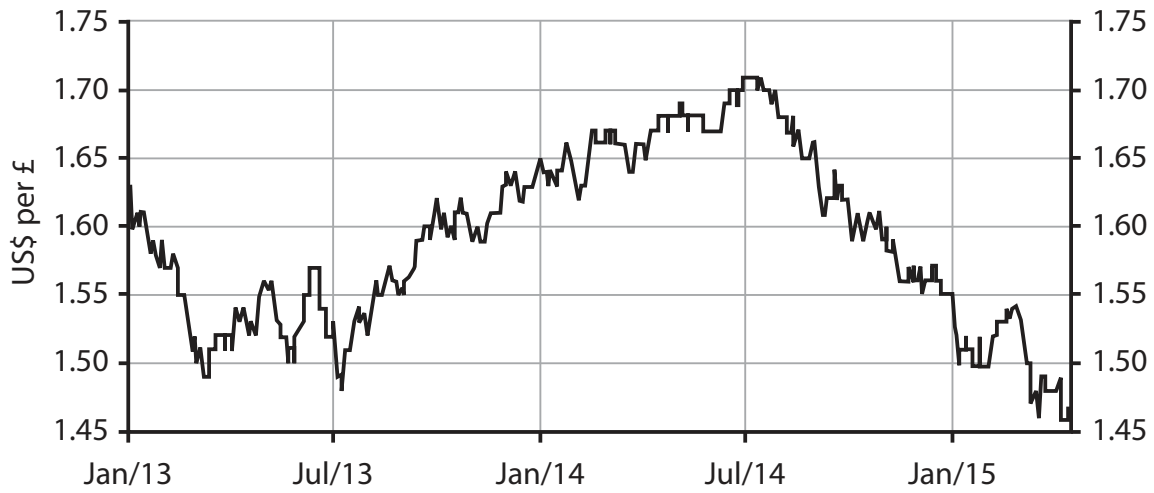
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Figure 4b shows the exchange rate of the British pound (£) to the US dollar (\$).



(Source: www.tradingeconomics.com)

**Figure 4b**

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

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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**.

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(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?

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**(Total for Question 4 = 30 marks)**

**TOTAL FOR PAPER = 120 MARKS**

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