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Pearson Edexcel
International GCSE

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Economics

Paper 1

Monday 5 June 2017 – Afternoon
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. Write your answers in the spaces provided.

Some questions must be answered with a cross \boxtimes . If you change your mind about an answer, put a line through the box \boxtimes and then mark your new answer with a cross \boxtimes .

1 Figure 1 below represents the world market for coffee in 2014.

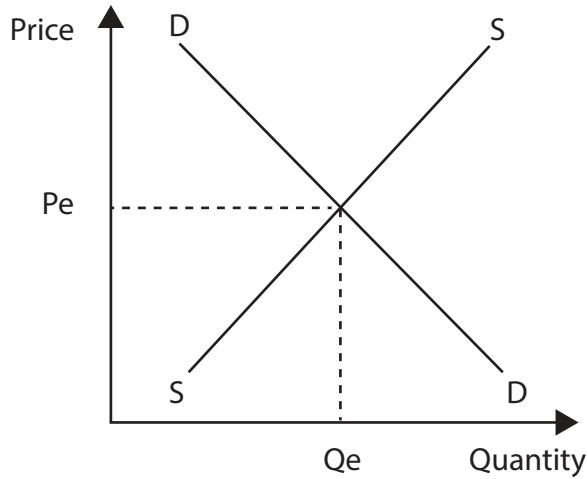


Figure 1

From 2014 to 2019, Chinese coffee consumption is expected to rise by 20%.

- (a) (i) On Figure 1, draw a new curve to show the effect of increased coffee consumption in China. (1)
- (ii) On Figure 1, label the new equilibrium price P_1 and quantity Q_1 . (2)
- (iii) Identify and briefly explain **two** factors that may have led to the expected rise in coffee consumption in China. (4)

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The global price elasticity of demand for coffee is estimated to be **-0.25**.

(b) (i) What is meant by 'price elasticity of demand'?

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(ii) Suggest **two** possible reasons why the global demand for coffee is price inelastic.

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Brazil is the world's largest coffee producer with approximately 220,000 coffee farms. The bigger plantations are mechanised and use division of labour. It is estimated that the number of Brazilians employed in coffee production is just over 5 million.

(c) (i) Briefly explain **two** factors that may affect the demand for labour on Brazilian coffee farms.

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(ii) Firms will always benefit from division of labour. Discuss.

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In Nicaragua the United Farm Workers trade union is campaigning to increase the wages of all coffee workers by 50% over the next five years.

(iii) Apart from seeking to increase wages, identify **one** other role of a trade union.

(1)

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(iv) An increase in wages will always cause a fall in employment. Do you agree with this statement? Explain your answer.

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(Total for Question 1 = 30 marks)



2 More than 30% of the Mexican population is obese (very overweight). The increased consumption of sugary drinks has been held responsible for this problem.

To reduce consumption, the Mexican government has added a 10% tax onto the price of these drinks.

(a) (i) Briefly explain **one** reason why obesity can create an external cost.

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(ii) Taxation is the best way to reduce an external cost. Do you agree with this statement? Give reasons for your answer.

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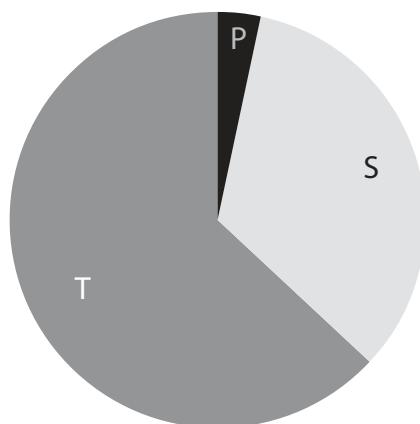
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Figure 2a shows the contribution by sector to Mexico's Gross Domestic Product (GDP) in 2015.

Contribution by sector to Mexico's GDP



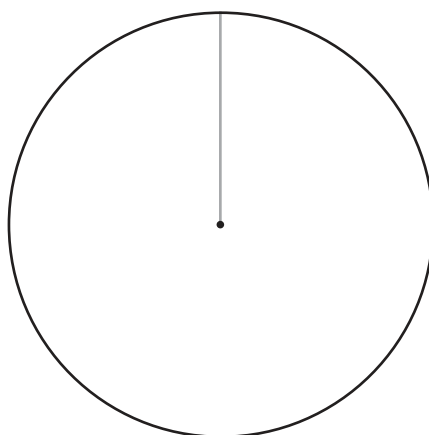
Primary (P)	4%
Secondary (S)	33%
Tertiary (T)	63%

(Source: adapted from World Bank figures)

Figure 2a

- (b) (i) On the blank pie chart below, **draw** and **label** the approximate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a country which is **less developed** than Mexico

(3)



(ii) Give **one** example of the type of business activity that might be found in each of the three sectors of an economy

(3)

Primary

Secondary

Tertiary

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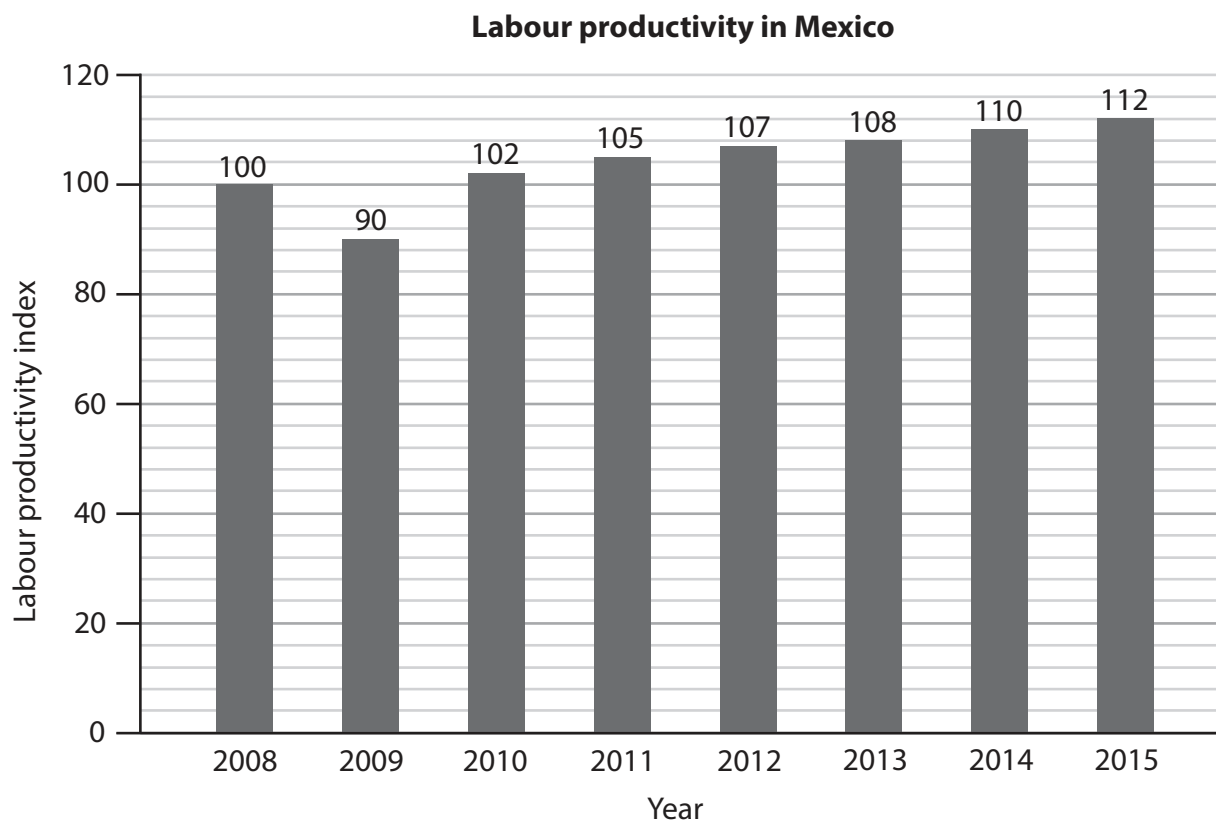
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P 4 5 2 3 3 A 0 1 1 2 8

Figure 2b shows labour productivity in Mexico for the years 2008 to 2015.



(Source: adapted from Instituto Nacional de Estadística y Geografía)

Figure 2b

(c) (i) Which of the following describes the overall trend of labour productivity in Mexico shown in Figure 2b? (1)

- A** The overall trend is falling
- B** The overall trend is rising
- C** The overall trend is unchanged
- D** The overall trend shows both rises and falls

(ii) Briefly explain **one** possible reason for the trend identified in (c)(i). (2)

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Carlos Slim has been described as the world's richest man. He owns *America Movil*, which has over an 80% share of the Mexican telecommunications market.

(d) (i) *America Movil* is

(1)

- A an oligopoly
- B a state owned corporation
- C a monopoly
- D a cartel

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(ii) Barriers to entry make it impossible for firms to enter the Mexican telecommunications market.

Consider **one** policy a government can use to improve competition. How effective might this policy be in achieving an increase in competition in a market such as the Mexican telecommunications market?

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Gross Domestic Product (GDP) growth rate %						
	2010	2011	2012	2013	2014	2015
Australia	2.3	2.7	3.6	2.1	2.7	2.5
France	1.9	2.1	0.0	0.8	0.2	1.2

(Source: adapted from www.tradingeconomics.com)

Table 3a

- (a) (i) Using the data in Table 3a, compare the GDP growth rate % of Australia and France between 2010 and 2015.

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- (ii) Briefly explain **one** advantage and **one** disadvantage of economic growth.

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(iii) Gross Domestic Product is a useful measure of economic growth in a country.
Discuss.

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In the last three months of 2015, Australia had an inflation rate of 1.7%.

(b) (i) Inflation can be defined as a (1)

- A** general rise in the price level and a rise in the value of money
- B** general fall in the price level and a fall in the value of money
- C** general rise in the price level and a fall in the value of money
- D** general fall in the price level and a rise in the value of money

(ii) Briefly explain **two** reasons why inflation may be bad for businesses. (4)

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According to the World Bank, Australia emits 18.6 metric tons of carbon dioxide per person, by comparison, the UK emits 8.5 metric tons per person.

(c) Briefly explain **one** method the Australian government could use to reduce this level of pollution.

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Australia – Unemployment rates by region, November 2015

Regions	%
Northern Territory	4.3
Australian Capital Territory	5.2
New South Wales	5.2
Queensland	5.9
Victoria	6.2
Western Australia	6.6
Tasmania	6.6
South Australia	7.3

(Source: adapted from ABS Labour Force Survey)

Table 3b

(d) (i) Explain why unemployment rates might vary between regions in Australia.

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(ii) The most effective way to reduce unemployment in Australia is through the use of fiscal policy. Do you agree with this statement? Give reasons for your answer.

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(Total for Question 3 = 30 marks)



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4 Statistics from the Vietnamese Ministry of Planning and Investment show that Vietnam attracted \$22.8bn in foreign direct investment (FDI) in 2015. This was an increase of 12.4% compared to 2014. The largest single investor was Samsung, a South Korean multinational company (MNC).

(a) (i) Define FDI.

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(ii) Explain why an MNC, such as Samsung, might want to invest in Vietnam.

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(iii) Increasing FDI will always benefit a developing economy such as Vietnam.
To what extent do you agree with this statement?

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In October 2015, 12 Pacific Rim countries, including Vietnam and the US, signed the Trans-Pacific Partnership (TPP). It is one of the most ambitious free trade agreements ever signed and will make trade among its member nations much easier by eliminating tariffs and other trade barriers.

(b) (i) Explain the term 'free trade'. (2)

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(ii) Briefly explain **two** reasons why a country imposes tariffs. (4)

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(iii) Explain **one** way in which Vietnam might benefit from free trade. (3)

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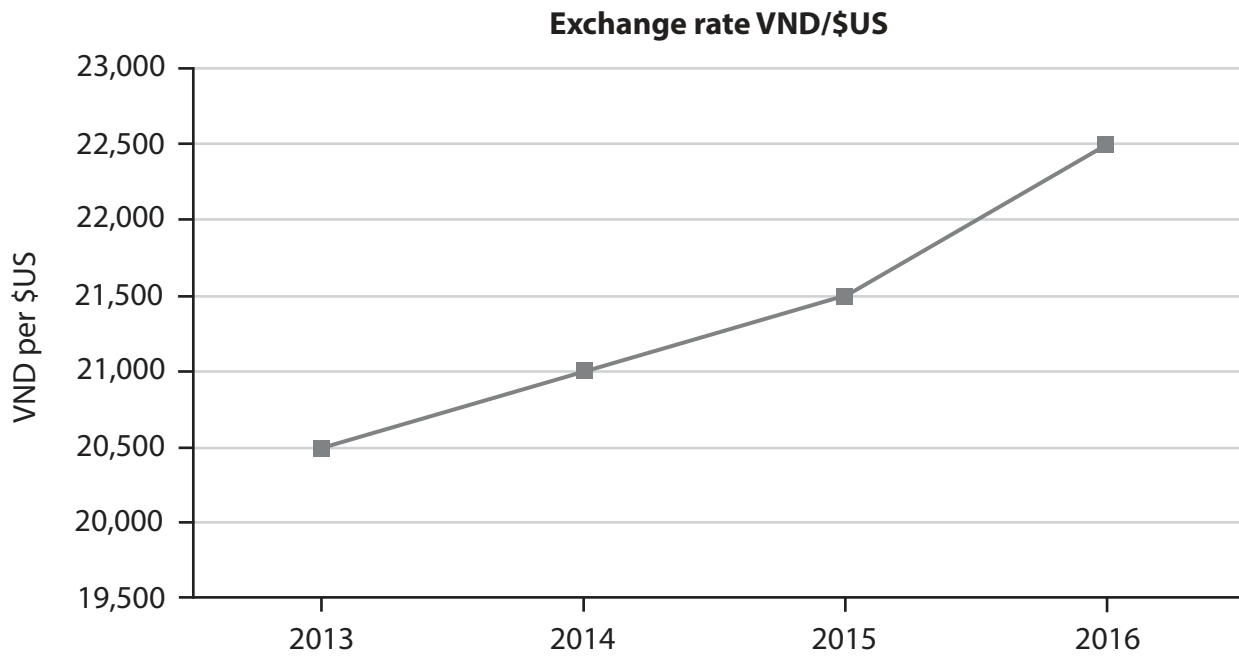


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Figure 4 shows the exchange rate of the Vietnamese dong (VND) to the US dollar (\$US) between January 2013 and January 2016.



(Source: adapted from ABS Labour Force Survey)

Figure 4

(c) (i) With reference to Figure 4, between January 2013 and January 2016 which of these statements is true? (1)

- A** The Vietnamese dong appreciated against the dollar.
- B** The Vietnamese dong depreciated against the dollar.

(ii) With reference to Figure 4, explain your answer to (c)(i). (2)

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(iii) A fall in the exchange rate of the Vietnamese dong will benefit Vietnamese firms. Do you agree with his statement? Give your reasons.

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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