PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



MARK SCHEME

UNIT 4: TRADE AND THE GLOBAL ECONOMY

SCORE	PERCENTAGE
/299	%

STEMUP

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Mark Scheme

Q1.

Question Number	Quantitative skills assessed	Answer	Mark
	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 would have increased Pakistan's terms of trade* ***C*** *is not correct because this would have increased Pakistan's terms of trade* ***D*** *is not correct because this would have increased Pakistan's terms of trade*	**(1)**

Q2.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because consumer surplus has decreased by the area* P_1P_2EF ***B*** *is not correct because government tax revenue is the area BCDE* ***D*** *is not correct because producer surplus has increased by the area* P_1P_2BA	**(1)**

Q3.

Question	Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries. **Indicative content**
	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

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.

Q4.

Question	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. **Indicative content**
	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.

Q5.

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
	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 *Rial*" **(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)** • Depreciation of *Rial* 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)**	**(8)**

Q6.

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**
	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

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	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.

Q7.

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
	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 barriers to entry to markets will be low. This would reduce cost per unit and consequently 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 • Implementing policies to attract more FDI flows into the economy; this would encourage technological improvements and increase dynamic efficiency • Supporting entrepreneurship through greater access to business finance e.g. for start-ups, incentives for business innovation, reduction in bureaucracy etc **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

- Opportunity cost of government spending – e.g. more on subsidies/education /health may mean less for the business sector, especially in the short run
- Lower interest rates and tax breaks could lead to demand-pull inflation via consumption and investment, and reduce price competitiveness
- There are limits to how effective and influential intervention can be, e.g. ability to manipulate exchange rates may be highly constrained and could lead to increase cost of imports, hence cost-push inflation
- Monopoly power (less competition) helps generate some dynamic efficiency, and benefits of economies of scale might be lost if monopolies are broken up
- Levels of investment (both internal and FDI) will depend on confidence in the future state of the economy; incentives may be insufficient/ineffective where confidence is low
- Distinction between SR and LR; are these measures financially sustainable in the long run? Time lags and implementation lags may mean measures take a long time to come into effect
- Spending likely to increase the possibilities of government failure as the costs of these measures may outweigh the benefits that could be gained
- Any measures taken have to be considered in the context of a dynamic global economy where other countries are also trying to increase their competitiveness
- Member countries of the EU may have limited scope for action in introducing some of these measures

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.

Q8.

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**
	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 earnt 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

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.

Q9.

Question Number	Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%. Evaluate the case for promoting *economic development* through debt relief. Refer to a developing country of your choice in your answer. Indicative content
	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 (12 marks) – indicative content Understanding of economic development Understanding of debt relief • Countries could use saved interest repayments to reduce absolute poverty. This will help reduce child and maternal mortality • Helps increase the level of human capital through resources provided for education, healthcare that would increase productivity and FDI inflows • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to low levels of savings to finance investment, e.g. investment in hospitals will help improve life expectancy/investment in schools would help improve the means years of schooling/literacy • Can fill in the foreign currency gap which may be used to import necessary capital equipment. This will increase prospects for higher economic growth and employment in the future. Higher GDP will result in higher tax revenues and could be spent on e.g. housing, healthcare • Can use funds for investment in infrastructure; essential for industrialisation as investment is as an injection into the circular flow of income. Would also increase the mobility of labour – allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher incomes • Could help conserve the environment/promote environmental sustainability, e.g. debt for nature swaps **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 refers to economic growth and not 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. 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 • Dependency culture could arise as developing countries are likely to become dependent on debt relief • It could lead to moral hazard: they may not pursue sound macroeconomic policies if they expect future debts to be written off • Dependency theory reinforces the dominance of debt relieving countries over developing countries • Corruption in developing countries means that funds might not reach those for whom it's intended/may be diverted to government officials • IMF and World Bank have conditions attached to debt relief. This may include cuts in food subsidies to reduce government spending, or removal of import controls which could harm the country's development • Many developing countries cannot have the debts written off if their income per capita is too high (to meet the IMF and World Bank criteria). Benefits of debt relief not realised by all developing countries • Some developing countries do not qualify for debt relief, if their debts were seen as sustainable • Proportion of debt relief could be relatively small and might not have a significant impact on the county's economic development • Takes a long time to qualify for debt relief programmes • Poor governance may mean that debt relief is not used efficiently

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.

Q10.

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**
	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 *and* 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.

Q11.

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**
	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

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.

Q12.

Question Number	Indicative content
	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.

Q13.

Question	With reference to the last paragraph of Extract A, examine **two** likely economic benefits to Turkey of joining the European Union. **Answer**	**Mark**
	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)**

Q14.

Question	Explain what is meant by a 'customs union' (Extract A, lines 22-23). **Answer**	**Mark**
	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)**

Q15.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***A*** *is not correct because the tax burden on the working population is likely to rise by 2070* ***C*** *is not correct because the working population is forecast to fall by 16 percentage points* ***D*** *is not correct because social welfare spending on the population aged 65 years and over is likely to increase*	**(1)**

Q16.

Question Number	Quantitative skills assessed	Answer	Mark
	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)**

Q17.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because these tariffs are likely to protect employment in the steel industry* ***C*** *is not correct because these tariffs are likely to protect the domestic steel industry* ***D*** *is not correct because these tariffs will increase tax revenue*	**(1)**

Q18.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***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* ***B*** *is not correct because Country A does not have a comparative advantage over Country B in the production of both the goods* ***C*** *is not correct because Country A has an absolute advantage over Country B in the production of both goods*	**(1)**

Q19.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***B*** *is not correct because the opportunity cost for producing shoes and bags for both countries is the same* ***C*** *is not correct because country X has an absolute advantage over country Y in both bags and shoes* ***D*** *is not correct as there is an opportunity cost for producing shoes and bags for both countries*	**(1)**

Q20.

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**
	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.

Q21.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because net welfare loss areas are ABC and DEF* ***C*** *is not correct because producer surplus has increased by the area* P_1 P_2 *B A* ***D*** *is not correct because consumer surplus has decreased by the area* P_1 P_2 *E F*	**(1)**

Q22.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because government tax revenue area is BCDE* ***C*** *is not correct because net welfare loss areas are ABC and DEF* ***D*** *is not correct because producer surplus has increased by the area* P_1 P_2 *B A*	**(1)**

Q23.

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**
	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.

Q24.

Question Number	Quantitative skills assessed	Answer	Mark
	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 incorrect because government tax revenue is area BCDE* ***C*** *is incorrect because producer surplus increased by the area* P_1P_2BA ***D*** *is incorrect because consumer surplus decreased by the area* P_1P_2EF	**(1)**

Q25.

Question Number	Quantitative skills assessed	Answer	Mark
		The only correct answer is A ***B*** *is not correct because there will be an increase in trade* ***C*** *is not correct because there will be an increase in living standards* ***D*** *is not correct because there will be a decrease in absolute poverty*	**(1)**

Q26.

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**
	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.

Q27.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***B*** *is not correct because Country X has an absolute advantage over Country Y in the production of both goods* ***C*** *is not correct because Country X does not have a comparative advantage over Country Y in the production of both goods* ***D*** *is not correct because this will happen when the opportunity cost for producing both goods for both countries is the same*	**(1)**

Q28.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because specialisation and trade will lead to an increase in the volume of exports and imports* ***B*** *is not correct because specialisation and trade will lead to an increase in living standards* ***D*** *is not correct because specialisation and trade will reduce absolute poverty*	**(1)**

Q29.

Question Number	Quantitative skills assessed	Answer	Mark
	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 export prices have fallen at a faster rate than import prices* ***C*** *is not correct because export prices have fallen at a faster rate than import prices* ***D*** *is not correct because export prices have fallen at a faster rate than import prices*	**(1)**

Q30.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***A*** *is not correct because this will reduce Afghanistan's terms of trade* ***B*** *is not correct because this will reduce Afghanistan's terms of trade* ***C*** *is not correct because this will reduce Afghanistan's terms of trade*	**(1)**

Q31.

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**
	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.

Q32.

Question Number	Quantitative skills assessed	Answer	Mark
	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 between 2000 and 2018 Bosnia and Herzegovina's terms of trade improved by 73.3%* ***C*** *is not correct because Bosnia and Herzegovina had to export fewer goods and services to purchase a given quantity of imports* ***D*** *is not correct because the index of export prices exceeds the index of import prices throughout the given period*	**(1)**

Q33.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***A*** *is not correct because incorrect formula (142.3-121.3) has been used to calculate Tanzania's terms of trade* ***B*** *is not correct because incorrect formula (121.3/142.3 x 100) has been used to calculate Tanzania's terms of trade* ***D*** *is not correct because incorrect formula (142.3+121.3) has been used to calculate Tanzania's terms of trade*	**(1)**

Q34.

Question Number	Quantitative skills assessed	Answer	Mark
	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** ***A*** *is not correct because both countries will not benefit from specialisation and trade* ***B*** *is not correct because there will be an opportunity cost for producing televisions or computers for both countries* ***D*** *is not correct because the opportunity cost for producing televisions or computers for both countries is the same*	**(1)**

Q35.

Question Number	Quantitative skills assessed	Answer	Mark
	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 EAC is a customs union* ***B*** *is not correct because the EAC is a customs union* ***C*** *is not correct because the EAC is a customs union*	**(1)**

Q36.

Question	With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'. **Answer**	Mark
	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)**

Q37.

Question Number	Quantitative skills assessed	Answer	Mark
	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS7:** Make calculations to convert money to real terms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because pay growth not adjusted for inflation was not the lowest in 2009* ***C*** *is not correct because there was an increasing rate of inflation between 2016 and 2017* ***D*** *is not correct because there was disinflation between 2012 and 2014*	**(1)**

Q38.

Question Number	Quantitative skills assessed	Answer	Mark
	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 5.7%/9.9% and does not calculate the terms of trade* ***C*** *is not correct because this is (index of import prices/index of export prices)x100 = 94.3/90.1 x 100* ***D*** *is not correct because this is 9.9%/5.7% and does not calculate the terms of trade*	**(1)**