OXFORD
INTERNATIONAL
AQA EXAMINATIONS

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

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I declare this is my own work.

INTERNATIONAL A-LEVEL
ECONOMICS

Unit 4 Economic Development and the Global Economy

Thursday 22 June 2023 | 07:00 GMT | Time allowed: 2 hours

Materials
For this paper you must have:
- the Source Booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

Instructions
- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Sections A**, **B** and **C**.
- Answer **EITHER** Question 15 **OR** Question 16 in **Section D**.
- You must answer the questions in the spaces provided. Do **not** write outside the box around each page or on blank pages.
- Do **not** write in the Source Booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–10	
11	
12	
13	
14	
15	
16	
TOTAL	

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Section A

Answer **all** questions in the spaces provided.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ⬬ WRONG METHODS

If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

0 1 Which one of the following identifies **two** functions of money?

[1 mark]

A Medium of exchange and easily divisible ⬭

B Medium of exchange and generally acceptable ⬭

C Store of value and limited in supply ⬭

D Store of value and measure of value ⬭

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0 2 **Table 1** shows the index of export prices and the index of import prices for a country in 2021 and 2022.

Table 1

	Index of export prices	Index of import prices
2021	100	80
2022	160	100

Between 2021 and 2022, the country's terms of trade

[1 mark]

A deteriorated by 35 ⬭

B deteriorated by 17.5 ⬭

C improved by 17.5 ⬭

D improved by 35 ⬭

Turn over for the next question

Do not write outside the box

0 3 Firms can finance investment by issuing shares and by borrowing through issuing bonds.

Which one of the following statements is correct?

[1 mark]

A Individuals who buy shares become owners of the firm. ⬭

B People who own bonds are paid a dividend that depends on the firm's profit. ⬭

C Shareholders receive interest which is a fixed cost for the firm. ⬭

D The market price of bonds does not change after they have been issued. ⬭

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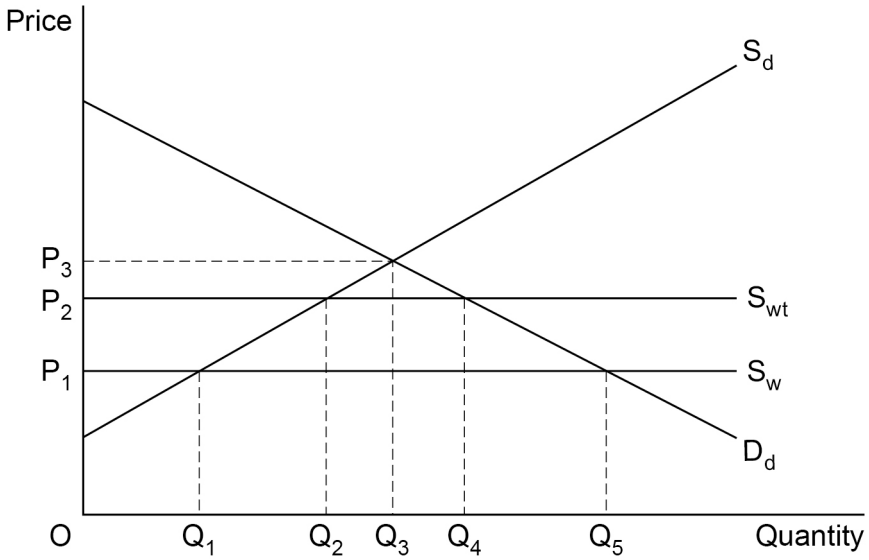
0 4 A country imposes a tariff on a product it imports from the rest of the world.

Figure 1 shows domestic demand (D_d), domestic supply (S_d), the rest of the world supply without a tariff (S_w) and the rest of the world supply with a tariff (S_{wt}).

Figure 1



The amount of government tax revenue raised from the tariff is ($P_2 - P_1$) multiplied by

[1 mark]

A $Q_3 - Q_1$ ⬭

B $Q_3 - Q_2$ ⬭

C $Q_4 - Q_2$ ⬭

D $Q_5 - Q_1$ ⬭

0 5 Which one of the following is a function of a central bank?

[1 mark]

A To accept deposits from individuals ⬭

B To act as lender of last resort ⬭

C To collect taxes for the government ⬭

D To provide loans to firms ⬭

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0 6 **Table 2** shows the exchange rate of four countries against the US dollar in Year 1 and Year 2, and their price elasticity of demand for exports.

Table 2

	Exchange rate in Year 1	Exchange rate in Year 2	Price elasticity of demand for exports
Country W	$0.50	$0.45	–0.6
Country X	$1.00	$0.70	–0.9
Country Y	$1.50	$1.20	–1.2
Country Z	$2.00	$1.80	–1.5

All other things being equal, which one of the countries will have the largest increase in its exports between Year 1 and Year 2?

[1 mark]

A Country W ⬭

B Country X ⬭

C Country Y ⬭

D Country Z ⬭

Do not write outside the box

0 7 Which one of the following statements about trading blocs is correct?

Members of a

[1 mark]

A customs union impose some restrictions on trade with other members. ⬭

B customs union impose the same restrictions on trade with non-members. ⬭

C free trade area do not impose restrictions on trade with non-members. ⬭

D free trade area impose their own restrictions on trade with other members. ⬭

0 8 **Table 3** includes items from a country's balance of payments.

Table 3

Item	**$ billion**
Balance of trade in goods	+400
Net direct investment	–200
Primary income balance	–350
Change in reserve assets	+125
Secondary income balance	+140
Balance of trade in services	–120

The country's balance of payments on current account is a

[1 mark]

A deficit of $130 billion. ⬭

B deficit of $5 billion. ⬭

C surplus of $70 billion. ⬭

D surplus of $280 billion. ⬭

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0 9 **Table 4** shows the amount of wheat **or** barley two countries can produce with a given amount of resources.

Table 4

	Wheat (tonnes)	**Barley (tonnes)**
Country X	10	5
Country Y	30	6

Which one of the following is correct?

[1 mark]

A Country X has a comparative advantage in the production of barley and an absolute advantage in the production of barley. ⬭

B Country X has a comparative advantage in the production of wheat and an absolute advantage in the production of both wheat and barley. ⬭

C Country Y has a comparative advantage in the production of both wheat and barley. ⬭

D Country Y has a comparative advantage in the production of wheat and an absolute advantage in the production of barley. ⬭

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1 0 **Table 5** shows the value of exports and imports of goods and services, and gross domestic product (GDP) for four countries in 2021, in US$ billion.

Table 5

	Brazil	France	India	USA
Exports (US$ bn)	317	921	643	2 533
Imports (US$ bn)	298	957	718	3 394
GDP (US$ bn)	1 608	2 935	3 178	22 998

Based on the data in **Table 5**, which country's economy is most dependent on international trade?

[1 mark]

A Brazil ⬭

B France ⬭

C India ⬭

D USA ⬭

10

Turn over for Section B

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Section B

Answer **all** questions in the spaces provided.

1 1 The growth in international trade means that a country's exchange rate has an increasingly important effect on the performance of its economy.

1 1 . 1 Define 'an appreciation in the exchange rate'.

[2 marks]

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1 1 . 2 Explain, using a diagram, the effect of a fall in spending on imports on a country's exchange rate.

[4 marks]

Question 11 continues on the next page

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1 1 . 3 **Table 6** shows the price of a computer, imported from the USA, and a country's exchange rate in May 2022 and May 2023. The country's currency is the dinar.

Table 6

	Price of a computer from the USA	**Exchange rate**
May 2022	$220	$1 = 140 dinars
May 2023	$210	$1 = 170 dinars

Calculate the percentage change, between May 2022 and May 2023, in the amount an importer has to pay, in dinars, for a computer from the USA.

Give your answer to **one decimal place**.

[4 marks]

10

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Section C

Look at the Source Booklet and answer **all** questions in the spaces provided.

Do **not** write in the Source Booklet.

1 2 **Extract A** shows the GDP per capita and the Human Development Index (HDI) in Mexico between 2014 and 2021.

1 2 . 1 Explain why Mexico's GDP per capita is likely to affect the value of its Human Development Index.

[4 marks]

Extra space

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1 2 . 2 To what extent do the data suggest that Mexico's GDP per capita has affected the value of its Human Development Index between 2014 and 2021?

Use the data in **Extract A** to support your answer.

[4 marks]

Extra space

8

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1 3 **Extract B** (line 10) states: 'FDI has contributed to Mexico's economic growth'.

Explain why an increase in foreign direct investment (FDI) is likely to affect Mexico's economic growth.

[12 marks]

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12

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1 4 **Extract C** (lines 1–2) states: 'Over the last 30 years, Mexico has not performed as well as similar countries in terms of growth and in reducing poverty.'

Discuss how policies to reduce inequality and poverty could contribute to Mexico's economic development.

[25 marks]

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25

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Section D

Answer **EITHER** Question 15 **OR** Question 16.

Shade the circle below to indicate which optional question you have answered.

Question 1 5 ⬭ Question 1 6 ⬭

CORRECT METHOD ⬬ WRONG METHODS

Either

1 5 The recent rise in global commodity prices has led to an increase in inflation. There is also a risk that this will lead to a recession in the world economy.

Discuss the economic effects of a significant increase in global commodity prices on less economically developed countries (LEDCs).

[25 marks]

or

1 6 Recent trends in the global economy show that many countries have adopted protectionist policies aimed at restricting international free trade.

Assess the view that the use of protectionist policies by a more economically developed country (MEDC) is likely to reduce the standard of living of its citizens.

[25 marks]

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Turn over ►

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END OF QUESTIONS

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