OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

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Candidate signature _____
I declare this is my own work.

INTERNATIONAL A-LEVEL
ECONOMICS

Unit 4 Economic Development and the Global Economy

Friday 21 June 2024 | 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	

Do not write outside the box

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 is most likely to be a **disadvantage** of globalisation for a more economically developed country (MEDC)?

[1 mark]

A A fall in labour productivity

B A reduction in choice and variety of products

C A rise in structural unemployment

D An increase in the price of imports

Do not write outside the box

0 2 **Table 1** shows the number of apples **or** oranges that Country X and Country Y are able to produce with a given amount of resources.

Table 1

	Apples		Oranges
Country X	16	**OR**	8
Country Y	8	**OR**	2

Using the model of comparative advantage, which one of the following terms of trade will allow both countries to benefit from trade?

[1 mark]

A 2 apples = 1 orange ⬭

B 3 apples = 1 orange ⬭

C 4 apples = 1 orange ⬭

D 8 apples = 1 orange ⬭

0 3 Which one of the following is a function of the World Trade Organisation (WTO)?

[1 mark]

A Arranging long-term loans for less economically developed countries ⬭

B Helping countries reach agreements that lead to a reduction in tariffs ⬭

C Identifying and helping to reduce risks to international financial stability ⬭

D Providing short-term finance to countries with a balance of trade deficit ⬭

Turn over for the next question

Do not write outside the box

0 4 **Table 2** shows a country's nominal GDP, its population and average price index in 2021 and 2023.

Table 2

	Nominal GDP ($)	Population	Price index
2021	60 billion	10.0 million	120
2023	80 billion	10.2 million	140

Between 2021 and 2023, the country's real GDP per head increased by

[1 mark]

A 12.04% ⬭

B 14.28% ⬭

C 26.33% ⬭

D 30.72% ⬭

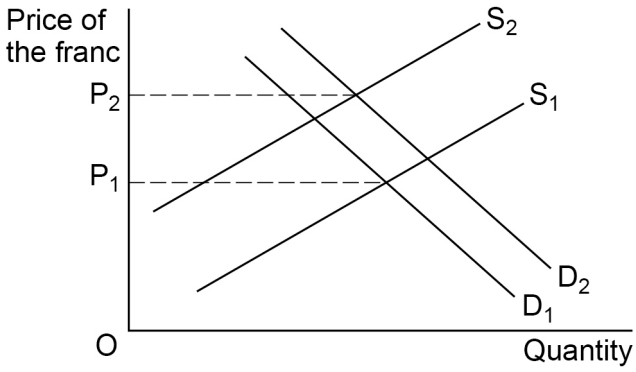
Do not write outside the box

0 5 The diagrams below show the demand (D) and supply (S) of francs on the foreign exchange market. The initial price of the franc is P_1. The country with the franc as its currency has a higher rate of inflation than other countries.

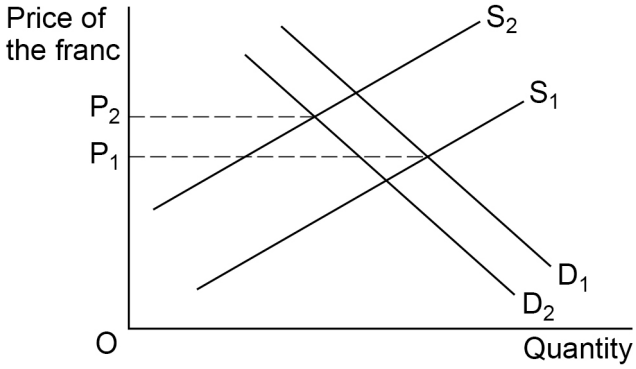
All other things being equal, which one of the following diagrams illustrates the most likely effect of the country's higher rate of inflation on the price of the franc?

[1 mark]

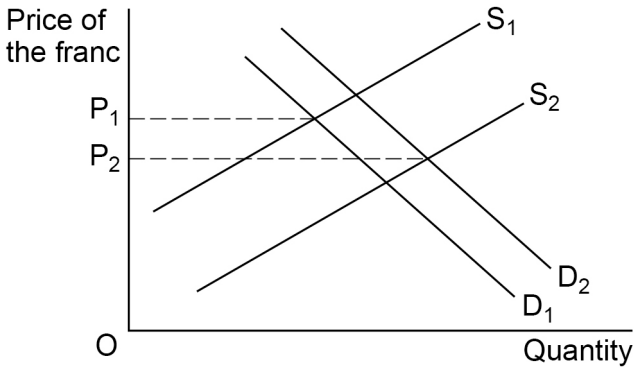
A



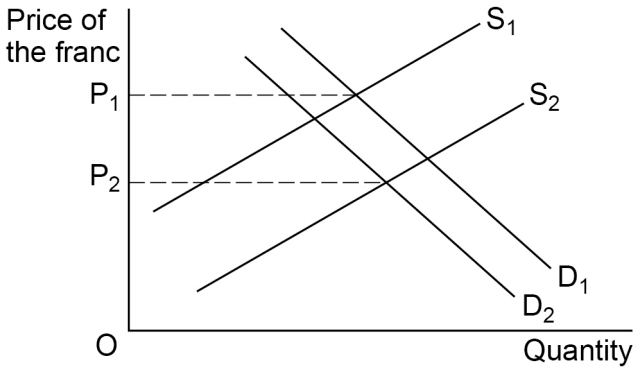
B



C



D



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0 6 The government of a country decides to increase its expenditure on infrastructure by $7 billion. The country's marginal propensity to save (MPS) is 0.15, its marginal propensity to tax (MPT) is 0.23 and its marginal propensity to import (MPM) is 0.22.

As a result of this increase in spending on infrastructure, in the short run, aggregate demand and national income will increase by

[1 mark]

A $8.24 billion

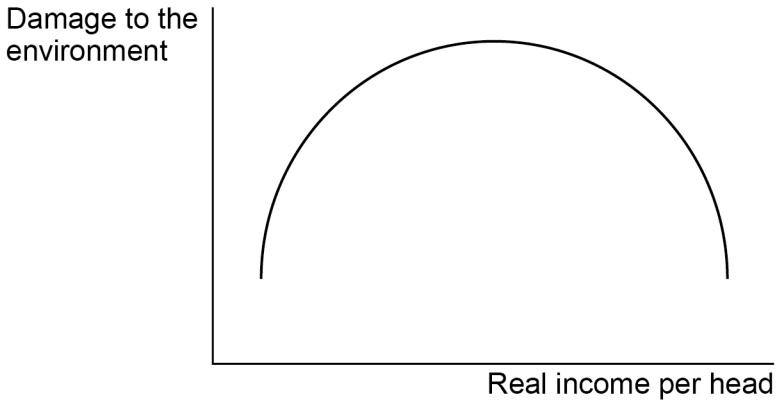
B $11.67 billion

C $17.50 billion

D $46.67 billion

0 7 **Figure 1** shows an environmental Kuznets curve.

Figure 1



The environmental Kuznets curve suggests that

[1 mark]

A a high rate of economic growth causes more damage to the environment than a low rate of economic growth.

B at high levels of real income per head, damage to the environment falls as real income per head increases.

C economic development increases real income per head but also damages the environment.

D there is an inverse relationship between real income per head and damage to the environment.

Do not write outside the box

0 8 The financial institutions in the shadow banking market

[1 mark]

A are high risk because they borrow long term and lend short term.

B are not licensed and regulated by governments or central banks.

C lend to firms but not to individuals or governments.

D often act as lender of last resort to commercial and investment banks.

0 9 **Table 3** shows a summary of the balance of payments account for Greece in 2021.

Table 3

	€ million
Balance of trade in goods	–26 719.1
Balance of trade in services	12 845.0
Primary income	368.7
Secondary income	1 233.8
Capital account	4 000.9
Financial account	7 107.6
Balancing item	1 163.1

Which one of the following is correct?

In 2021, Greece

[1 mark]

A had a current account deficit of €12 271.6 million.

B had a current account deficit of €13 874.1 million.

C invested €4 000.9 million in other countries.

D invested €11 108.5 million in other countries.

Do not write outside the box

1 0 For many less economically developed countries (LEDCs), remittances are an important and growing source of funds.

Which one of the following is most likely to explain why the value of remittances received by many LEDCs has grown?

[1 mark]

A A rise in investment abroad by large transnational corporations

B A rise in the value of loans given to poorer countries by the World Bank

C An increase in the number of people living and working abroad

D An increase in the value of international trade in goods and services

10

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Section B

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

1 1 In financial markets, assets such as shares, bonds and foreign currency are bought and sold.

1 1 . 1 What is the difference between the money market and the capital market?

[2 marks]

_____

_____

_____

_____

Question 11 continues on the next page

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1 1 . 2 A firm wants to take out a loan of $275 000 to finance the purchase of a piece of machinery.

The firm is considering two options, shown in **Table 4**.

For each option, the loan is paid back at the end of the period. The interest is calculated and paid at the end of each year.

Table 4

Option	Rate of interest	Period of loan
1	6.7%	3 years
2	5.8%	4 years

Calculate the difference between the amount of interest the firm would have to pay for Option 1 compared to Option 2.

[4 marks]

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1 1 . 3 Explain, using a diagram, how a fall in interest rates is likely to affect a country's short-run rate of economic growth.

[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 world market price of copper and the terms of trade for Chile.

1 2 . 1 Explain why the price of copper is likely to affect the terms of trade for Chile.

[4 marks]

Extra space

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1 2 . 2 To what extent do the data suggest that the price of copper affected the terms of trade for Chile between 2012 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 1) states: 'Copper is the third most widely-used metal in the world but its price fluctuates.'

Explain possible reasons for fluctuations in the world market price of copper.

[12 marks]

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Extra space

12

Turn over ►

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1 4 **Extract C** (line 5) states: 'Chile has been the world's largest producer of copper for over 30 years.'

Discuss ways in which the copper industry affects the economic development of Chile.

[25 marks]

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Turn over ►

Do not write outside the box

Extra space

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 New Zealand's current account deficit increased from $21.1 billion (6.0% of GDP) in 2021 to $33.8 billion (8.9% of GDP) in 2022. Expenditure-reducing policies can help to reduce a deficit on the balance of payments but may damage the domestic economy.

Evaluate the advantages **and** disadvantages of using expenditure-reducing policies to decrease a deficit on the current account of a country's balance of payments.

[25 marks]

or

1 6 Foreign aid can help poor countries grow and develop. However, this is not always the case. Foreign aid can destroy local industries and the country receiving aid may become dependent on the country or organisation providing the aid.

Evaluate the advantages **and** disadvantages of foreign aid for less-economically developed countries (LEDCs).

[25 marks]

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Do not write outside the box

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END OF QUESTIONS

25

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ANSWER IN THE SPACES PROVIDED

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