

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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Pearson Edexcel International Advanced Level

Tuesday 3 June 2025

Afternoon (Time: 2 hours)

Paper
reference

WEC14/01A

Economics

International Advanced Level

UNIT 4: Developments in the global economy

You must have:

Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Section A and Section B.
- Answer **TWO** questions in Section C.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following is best explained by the Lewis structural dual-sector model?

- A Privatisation
- B Industrialisation
- C Microfinance schemes
- D Development of primary industries

(Total for Question 1 = 1 mark)

2 In 2023, the value of oil and gas exports accounted for 50% of Saudi Arabia's GDP.

Assuming the demand for oil and gas are price inelastic, which **one** of the following is most likely to result from a fall in world oil and gas prices?

- A An improvement in Saudi Arabia's terms of trade
- B A deterioration in Saudi Arabia's current account deficit
- C A reduction in Saudi Arabia's budget deficit
- D An increase in transportation costs in Saudi Arabia

(Total for Question 2 = 1 mark)

3 Between 2015 and 2022, the Lorenz curve of Zambia moved closer to the line of perfect equality.

Which **one** of the following can be deduced from this information?

- A The Gini coefficient for Zambia had decreased
- B The Government of Zambia had reduced its highest rate of income tax
- C The Marshall-Lerner condition had not been met
- D The rate of unemployment in Zambia had increased

(Total for Question 3 = 1 mark)

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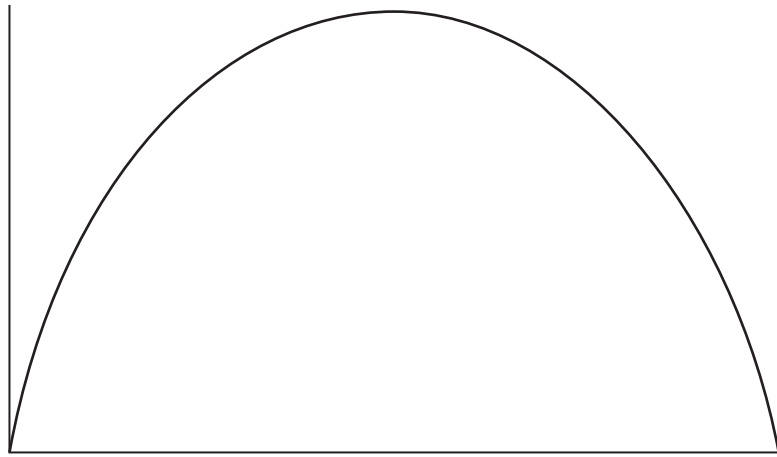
- 4 Between September 2023 and September 2024, Australia's average export prices decreased by 6.8% and their average import prices decreased by 1.1%.

If September 2023 = 100, which **one** of the following was Australia's terms of trade in September 2024?

- A 6.18
- B 16.18
- C 94.24
- D 106.12

(Total for Question 4 = 1 mark)

- 5 The diagram illustrates the Laffer curve for a developed country.



Which **one** of the following statements is true about the Laffer curve?

- A It shows the relationship between quantitative easing and the rate of interest
- B It shows the relationship between the level of investment and the savings ratio
- C It shows the relationship between the unemployment rate and the rate of inflation
- D It shows the relationship between tax rates and the government's tax revenues

(Total for Question 5 = 1 mark)

6 The table shows selected economic data in 2022 for Thailand and Malaysia.

	Human Development Index (HDI) value	Mean years of schooling (adults over 25 years old)	Life expectancy at birth (years)	Gross National Income per capita (2017 PPP)
Thailand	0.803	8.8	79.7	\$16 887
Malaysia	0.807	10.7	76.3	\$27 295

Which **one** of the following statements may be deduced from the data in the table?

- A Thailand was more economically developed than Malaysia
- B Students spent longer in education in Thailand than in Malaysia
- C Healthcare provision was better in Thailand than in Malaysia
- D Average incomes were higher in Thailand than in Malaysia

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the spaces provided on the following pages.

- 7 (a) With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working. (2)
- (b) With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account **and** its capital and financial accounts. (8)
- (c) With reference to Figure 2, analyse **two** policies that the Central Bank of Argentina can use to limit any further depreciation of the Argentine peso against the US dollar. (6)
- (d) Explain what is meant by 'absolute poverty'. (Extract A, line 20) (4)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy. (14)

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(c) With reference to Figure 2, analyse **two** policies that the Central Bank of Argentina can use to limit any further depreciation of the Argentine peso against the US dollar.

(6)

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(d) Explain what is meant by 'absolute poverty'. (Extract A, line 20)

(4)



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(e) With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy.

(14)

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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION C

Answer TWO questions from this section.

- 8** In 2024, the value of China's exports was \$3.6 trillion and the value of its imports was \$2.6 trillion. In 2024, China's rate of economic growth was 5%. This was the lowest rate since 2022.

Evaluate the likely effects of a reduction in China's rate of economic growth on the global economy.

(Total for Question 8 = 20 marks)

- 9** In 2021, 2.4 million migrants moved into the European Union (EU) from non-EU countries. In 2022, this number rose to 5.1 million.

Evaluate the likely benefits of a significant increase in migration into the EU.

(Total for Question 9 = 20 marks)

- 10** Between 2013 and 2023, Iraq's national debt increased from 32% of GDP to 49.2% of GDP.

Evaluate the disadvantages of an increase in a country's national debt. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)

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TOTAL FOR SECTION C = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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Source Booklet

Do not return this Booklet with the question paper.

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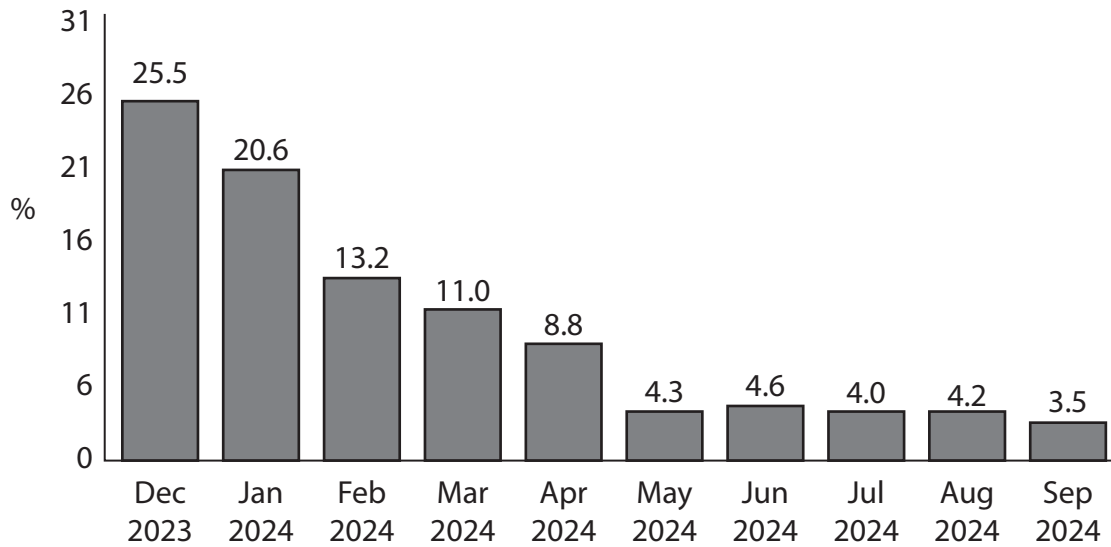


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Sources for use with Section B

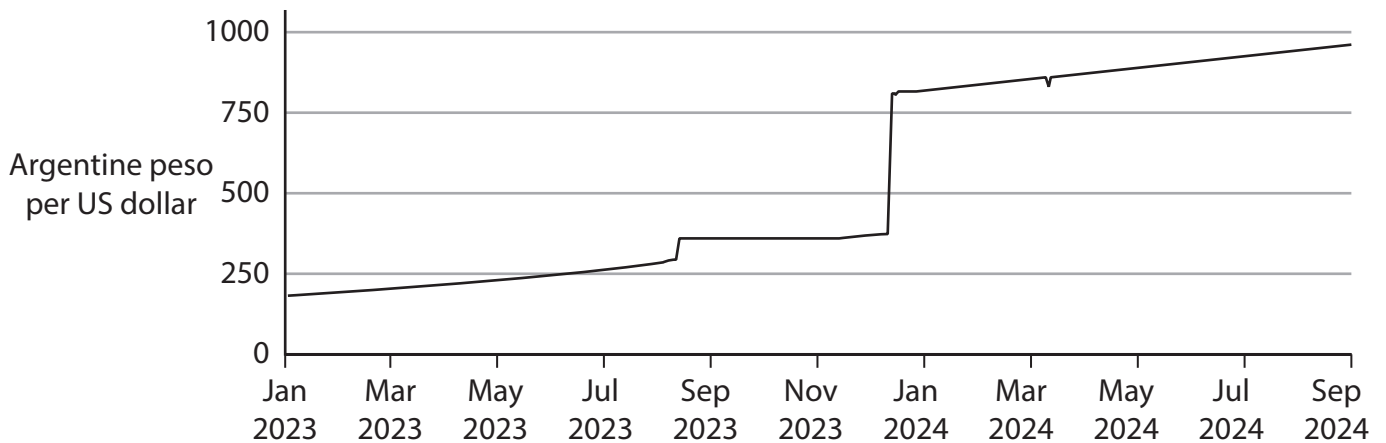
The economy of Argentina

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), December 2023 to September 2024



* This is the year-on-year rate of inflation calculated monthly.

Figure 2 Argentine peso–US dollar exchange rate, January 2023 to September 2024



Extract A Economic outlook

When Javier Milei became the President of Argentina in December 2023, his first task was to reduce the country's very high rate of inflation. This was mainly caused by increased public expenditure and a depreciation of the country's currency, the Argentine peso, against the US dollar.

5

The Government of Argentina reduced public expenditure from 38% of GDP in 2023 to 32% of GDP in 2024. The largest reductions were made in state pensions, social welfare programmes, and energy and transportation subsidies. This resulted in a fiscal surplus every month in 2024 after more than 10 years of continuous fiscal deficits. By the end of September 2024, these policies had successfully reduced Argentina's high rate of inflation.

10

The Central Bank of Argentina stabilised the exchange rate to prevent any further falls in the external value of its currency against the US dollar. It believed that this would result in greater macroeconomic stability in the country's financial markets. Argentina's current account changed from a deficit in 2023 to a surplus in 2024.

15

However, Argentina still faces numerous economic challenges. GDP was expected to be 3% lower in 2024 than it was in 2023. The country's economic growth forecast is 5.2% in 2025. This would only return Argentina's real GDP per capita to where it was in 2021.

Living standards have been falling since 2004, partly as a result of falling real wages. The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53%.

20

Domestic industries that employ most Argentinian citizens — retail, manufacturing and construction — have recovered only slightly from large falls in production. Unemployment in the second quarter of 2024 was 7.6%. Business leaders in manufacturing industries warned that they may continue to make workers redundant as the Government reduces protectionism.

25

Although there are still concerns about salaries, jobs and poverty, economists claim that the Government has achieved macroeconomic stability. However, for this to result in a sustainable rate of economic growth, the Government should remove strict capital and currency controls. This is important in attracting foreign direct investment.

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Acknowledgements

Figure 1 adapted from FT, <https://tradingeconomics.com/argentina/inflation-rate-mom>

Figure 2 adapted from Pound Sterling, <https://www.poundsterlinglive.com/history/USD-ARS-2024>

Extract A adapted from FT, <https://www.ft.com/content/35b444a1-608c-48b5-a991-01f2ac3362be>

