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Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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# Economics

## Paper 1

Monday 4 June 2018 – Afternoon

**Time: 2 hours 30 minutes**

Paper Reference

**4EC0/01**

**You do not need any other materials.**

Total Marks

### Instructions

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

### Information

- The total mark for this paper is 120.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

### Advice

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

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

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

1 Figure 1a represents the world market for chocolate bars.

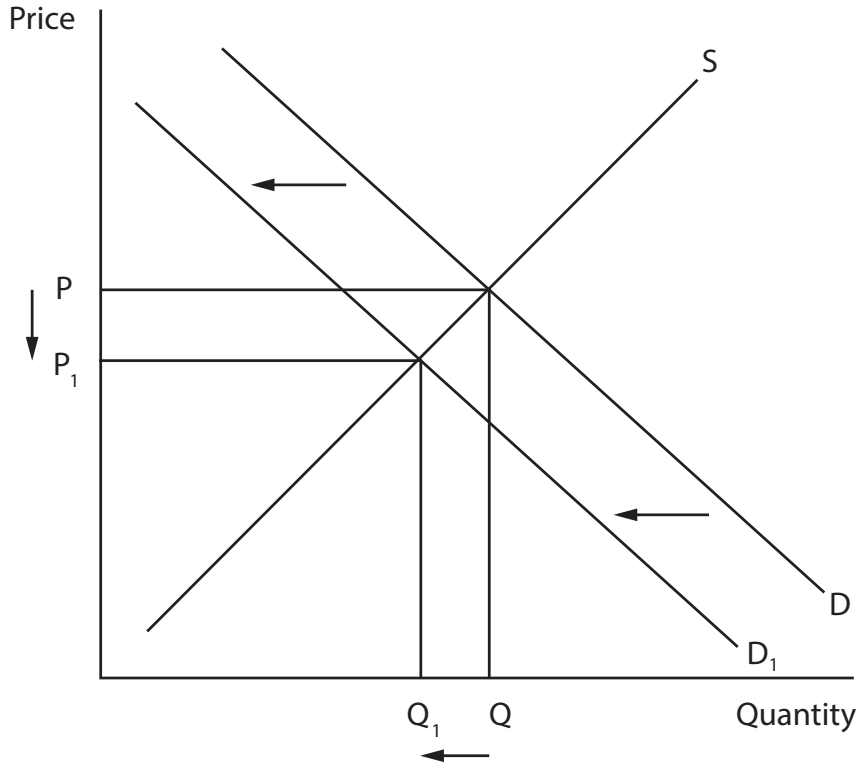


Figure 1a

(a) (i) In Figure 1a the change in price from  $P$  to  $P_1$  is most likely to have been caused by

(1)

- A** an increase in population.
- B** a decrease in supply.
- C** an increase in advertising.
- D** a decrease in the price of a substitute.

(ii) Explain the reason for your answer to (a) (i).

(2)

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The global price elasticity of demand for chocolate bars is estimated to be  $-0.4$ .

(b) (i) What is meant by 'price elasticity of demand'? (2)

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(ii) Suggest **two** possible reasons why the global demand for chocolate bars is price inelastic. (4)

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Cadbury is a British multinational confectionery company which produces not only chocolate bars but also a wide range of other snack products. It is planning to increase the price of all products by 10%.

(iii) Price elasticity of demand is the most important factor for Cadbury to consider when deciding whether to increase prices. Do you agree with this statement? Explain your answer.

(6)

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Cadbury is a firm operating in the private sector.

(c) (i) Define the term 'private sector'.

(2)

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Cadbury has just invested £75 million in four new production lines at its Bournville factory in the UK. The new lines make use of division of labour.

(ii) Give **one** advantage and **one** disadvantage to Cadbury of division of labour.

(4)

Advantage

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Disadvantage

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(iii) Cadbury could have invested the £75 million in opening a new distribution centre in India, instead of installing new production lines at the Bournville factory. This is an example of (1)

- A** a fixed cost.
- B** an opportunity cost.
- C** a variable cost.
- D** an average cost.

(iv) Workers on the new production lines are members of the UNITE trade union. State **two** aims of a trade union. (2)

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The manager of the Bournville factory is paid approximately 12 times more than a production line worker.

(d) Differences in pay can always be explained by the demand for, and the supply of, labour. Do you agree with this statement? Explain your answer.

(6)

(Total for Question 1 = 30 marks)



### Contribution to Gross Domestic Product (GDP) by sector – Burundi and Australia

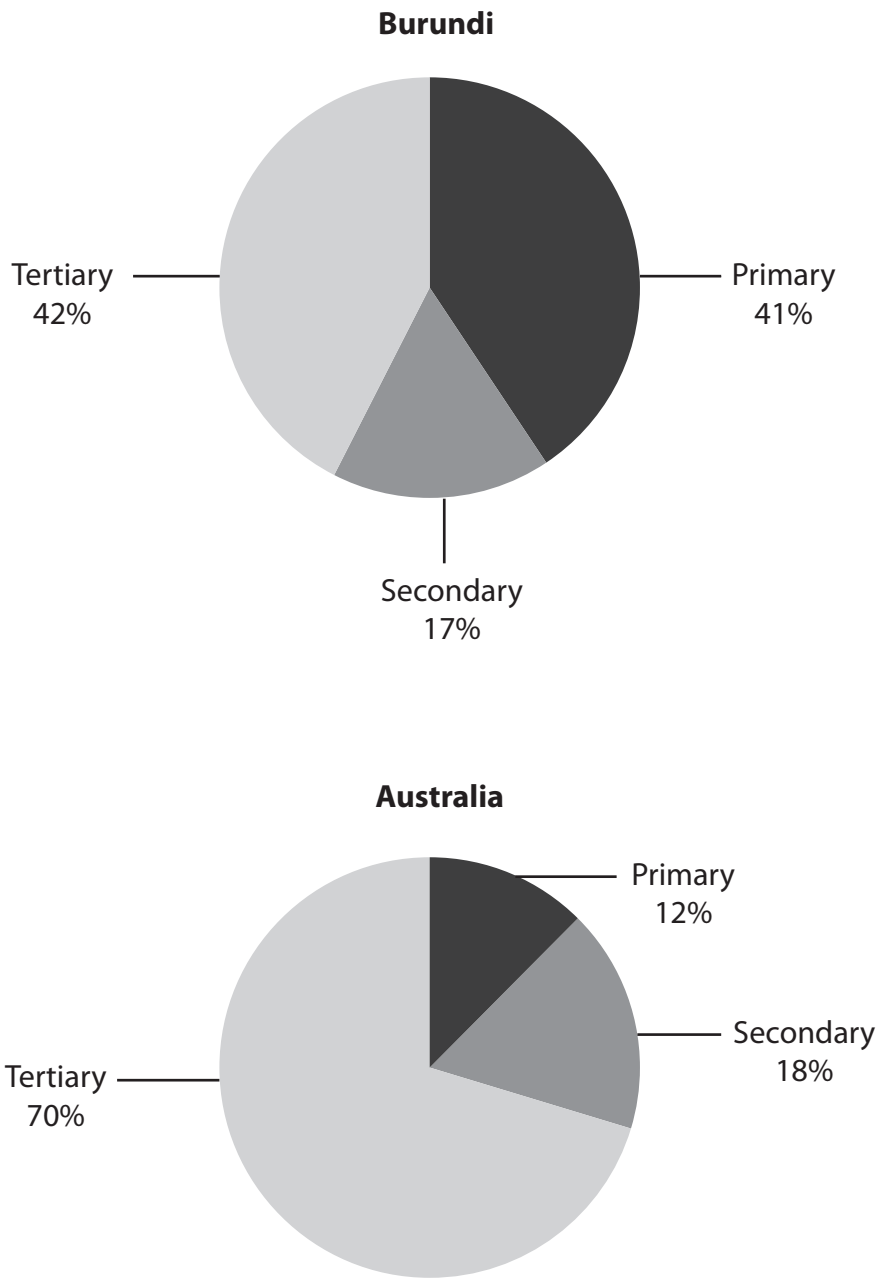


Figure 2a

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(a) (i) Using the data in Figure 2a, explain **two** reasons why Australia is considered to be a more developed economy than Burundi.

(4)

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(ii) Give **one** example of an occupation in the secondary sector of an economy.

(1)

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Labour productivity in Burundi is 5.8 times lower than in Kenya.

(iii) The best way for Burundi to increase productivity is to improve its human capital. Do you agree with this statement? Explain your answer.

(6)

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A recent report from the International Monetary Fund recommended that Burundi should modernise its transport and communications infrastructure in order to generate external benefits.

(b) (i) Define the term 'external benefits'.

(2)

(ii) Identify and explain **one** external benefit resulting from an improved transport and communications infrastructure.

(2)

In 2017 General Motors and Toyota stopped producing cars in Australia. Both companies said the main reason was that the population of Australia was too small and lacked sufficient economies of scale to continue production.

(c) (i) Economies of scale are

(1)

- A** a decrease in costs caused by increasing the scale of production.
- B** an increase in revenue caused by increasing the scale of production.
- C** an increase in supply caused by increasing the scale of production.
- D** a decrease in average costs caused by increasing the scale of production.



(ii) Identify and explain **two** types of internal economies of scale that would be advantageous to large manufacturers such as General Motors or Toyota. (4)

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In early 2017 Australia’s competition regulator, the Australian Competition and Consumer Commission (ACCC), approved the proposed merger between Virgin Australia and China’s HNA airlines.

(d) (i) Identify and explain **two** reasons why a government might want to regulate the amount of competition which exists in a market. (4)

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In March 2017, the Western Australian government announced plans to privatise Western Power, the state's electricity company.

(ii) Privatisation will always benefit the consumer. To what extent do you agree with this statement? Explain your reasons.

(6)

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(Total for Question 2 = 30 marks)



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New Zealand inflation rate, 2014 to 2017



Figure 3a

(a) (i) Using Figure 3a, describe what has happened to the inflation rate in New Zealand between 2014 and 2017.

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(ii) Identify and explain the impact of inflation on wages and savings.

(4)

Wages

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Savings

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(iii) New Zealand should use monetary policy to control inflation. Do you agree with this statement? Explain your reasons.

(6)

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Between 2015 and 2016 the New Zealand current account deficit increased from NZD 1,140 million to NZD 1,436 million.

- (b) (i) Identify and explain **one** possible reason why the current account deficit has increased from 2015 to 2016.

(2)

Table 3b shows three items that would appear on New Zealand's current account.

Items on New Zealand's Current Account	Insert A, B, C or D
American tourists visiting New Zealand	
Sales of New Zealand dairy products to China	
Sales of Japanese cars to New Zealand	

**Table 3b**

- (ii) Match the items described in Table 3b with the options below. Place your answer A, B, C or D in Table 3b. Each letter may be used more than once.

- A** invisible export
- B** invisible import
- C** visible export
- D** visible import

(3)



(iii) To what extent is a deficit on the current account of the balance of payments a problem for a country? Explain your answer.

(6)

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4 (a) (i) Globalisation is the (1)

- A increasing levels of protectionism of national economies.
- B increasing levels of debt of national economies.
- C increasing integration and interdependence of national economies.
- D increasing amount of legislation and regulation of national economies.

(ii) Briefly explain **two** ways Foreign Direct Investment (FDI) has encouraged globalisation. (4)

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(iii) Identify and explain **two** disadvantages of globalisation.

(6)

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(b) (i) The World Trade Organisation (WTO) is the main reason for the growth of international trade. To what extent do you agree with this statement? Explain your reasons.

(6)

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In January 2017 the USA complained to the WTO that China was subsidising the production of aluminium.

(ii) Identify and explain **two** reasons why the USA might be worried that Chinese aluminium producers were being subsidised.

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(c) (i) Complete Table 4a below to indicate how each change might affect the exchange rate of the US dollar. Put a cross  in the appropriate box in each case.

(3)

	APPRECIATE	DEPRECIATE
The demand for imports increases in the USA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Currency speculators expect the value of the US dollar to fall and to continue to fall	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Interest rates increase in the USA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Table 4a

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