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Pearson Edexcel Centre Number Candidate Number

International GCSE

Economics

Paper 1

Monday 5 June 2017 – Afternoon Time: 2 hours 30 minutes	Paper Reference 4EC0/01R
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You do not need any other materials.	Total Marks
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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 below represents the market for strawberries in 2015.

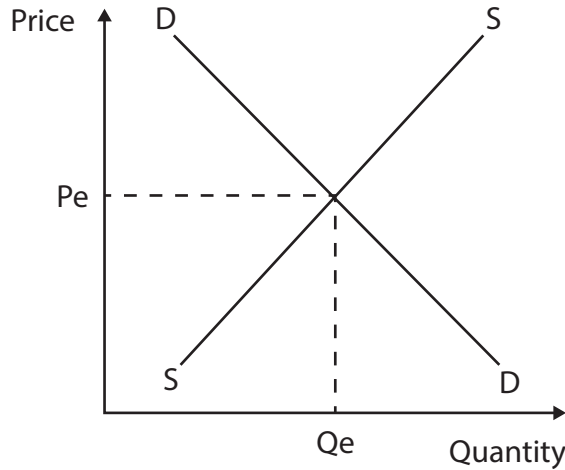


Figure 1a

In 2016, the production of strawberries in Spain increased by 10%.

- (a) (i) On Figure 1a, draw and label a new curve to show the effect of increased strawberry production in Spain. (1)
- (ii) On Figure 1a, draw and label the new equilibrium price P_1 and quantity Q_1 . (2)
- (iii) Identify and briefly explain **two** factors that may have caused the increase in strawberry production in Spain. (4)

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The income elasticity of demand for fresh strawberries is estimated to be + 1.25.

(b) (i) Which **one** of the following best describes fresh strawberries?

(1)

- A** A normal good with income inelastic demand
- B** An inferior good with income inelastic demand
- C** A normal good with income elastic demand
- D** An inferior good with income elastic demand

Dani Andrada is a Spanish shopkeeper. He noticed the following change in sales when he reduced the price per kg of his strawberries.

	Price	Sales
Week 1	€3.00 per kg	100kg
Week 2	€2.75 per kg	120kg

Figure 1b

(ii) Using the data in Figure 1b, calculate the total revenue in week 1 and week 2. Comment on the price elasticity of demand for strawberries sold in Dani Andrada's shop.

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Spain has a mixed economy with a public and private sector.

(c) (i) Explain the difference between the public and private sectors in terms of ownership.

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(ii) The private sector can always be relied on to produce goods and services more efficiently than the public sector. Do you agree with this statement? Explain your answer.

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Spain is the world's biggest exporter of strawberries. The strawberry industry in Spain employs approximately 50,000 people.

(d) (i) Identify and briefly explain **two** factors that might determine the supply of labour in the Spanish strawberry industry.

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The strawberry industry in Spain has been accused of causing pollution from the use of pesticides and depriving nearby national parks of precious water.

- (ii) The economic benefits of production in a country outweigh the negative externalities caused by the production process. Do you agree with this statement? Explain your answer.

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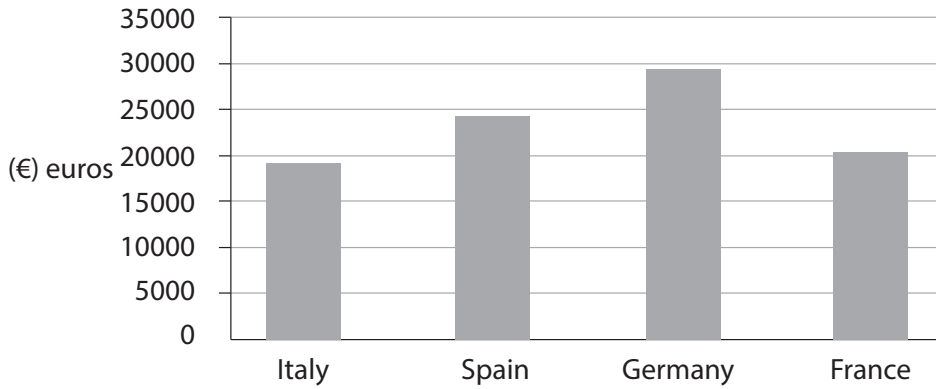
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(Total for Question 1 = 30 marks)



2

Annual production per private sector worker measured in (€) euros



(Source: adapted from <https://www.goldmoney.com/research/goldmoney-insights/productivity-misconceptions>)

Figure 2a

(a) (i) With reference to Figure 2a, which country has the highest private sector level of productivity? Explain your answer.

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(ii) Identify and briefly explain **two** ways in which labour productivity can be increased.

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Adam Ondra has a business near Stuttgart in Germany making wooden garden seats. Figure 2b shows his costs for the month of June.

Items	Cost in (€) euros
Rent	600
Loan repayment	350
Insurance	50
Wood per seat	50
Other materials per seat	20
Labour per seat	80

Figure 2b

- (b) (i) If Adam produces 20 garden seats in June, calculate his average cost per garden seat. Show your workings.

(3)

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- (ii) Adam charges customers €200 for each garden seat. In June, he sells 25 garden seats. Calculate his profit and show your workings.

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Deutsche Telekom is one of Germany's biggest companies. It has recently negotiated a preferential loan arrangement with Deutsche Bank.

(iii) This is an example of a

(1)

- A** financial economy of scale
- B** marketing economy of scale
- C** purchasing economy of scale
- D** risk-bearing economy of scale

Deutsche Telekom uses the same logo and graphics in each country.

(iv) This is an example of a

(1)

- A** financial economy of scale
- B** marketing economy of scale
- C** purchasing economy of scale
- D** risk-bearing economy of scale

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(v) Economies of scale mean that a large firm will always have an advantage over a small firm. Do you agree with this statement? Explain your answer.

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The Monopolkommission (Monopolies Commission) is an independent committee that advises the German government on promoting competition and competition law.

(c) (i) Identify and briefly explain **two** ways by which the German government could promote competition.

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In 2014, German competition authorities described the German mobile telephone market as being the most powerful oligopoly in Europe.

(ii) An oligopoly is always beneficial for the consumer. Discuss.

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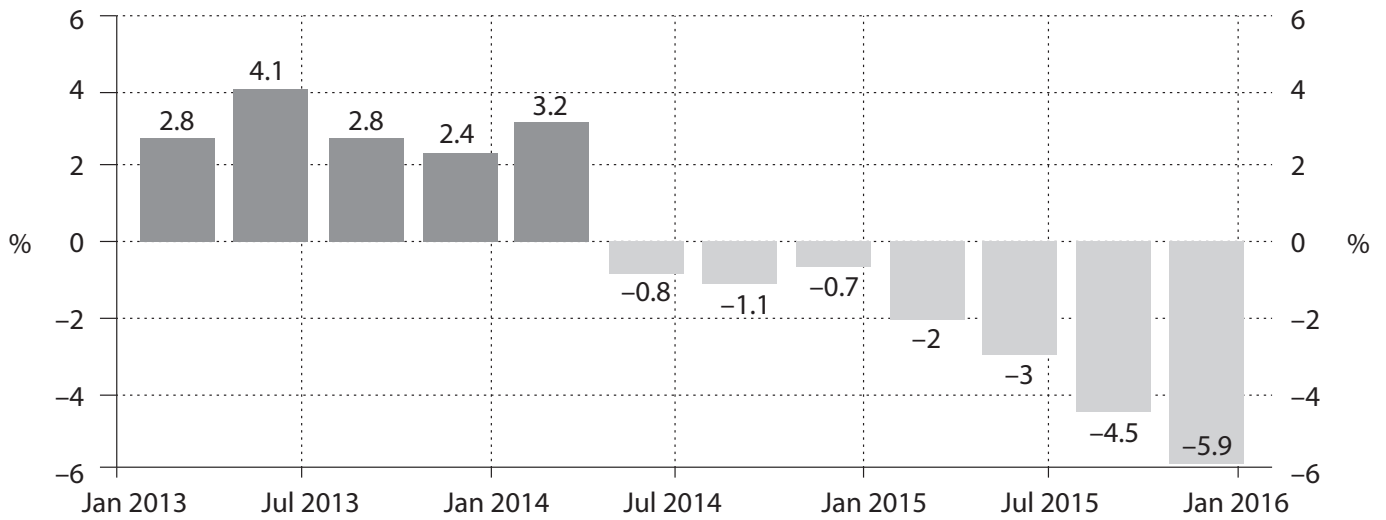
(Total for Question 2 = 30 marks)



P 4 8 4 9 2 A 0 1 3 2 4

3

Gross Domestic Product (GDP) growth rate: Brazil January 2013 – January 2016



(Source: adapted from <http://www.tradingeconomics.com/brazil/gdp-growth-annual>)

Figure 3a

(a) (i) Using Figure 3a, describe what happened to the GDP growth rate in Brazil between January 2013 and January 2016.

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(iii) Applying fiscal policy is the best way to increase economic growth. Do you agree with this statement? Explain your reasons.

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Gross Domestic Product (GDP) growth and unemployment rate, Brazil 2014–2015

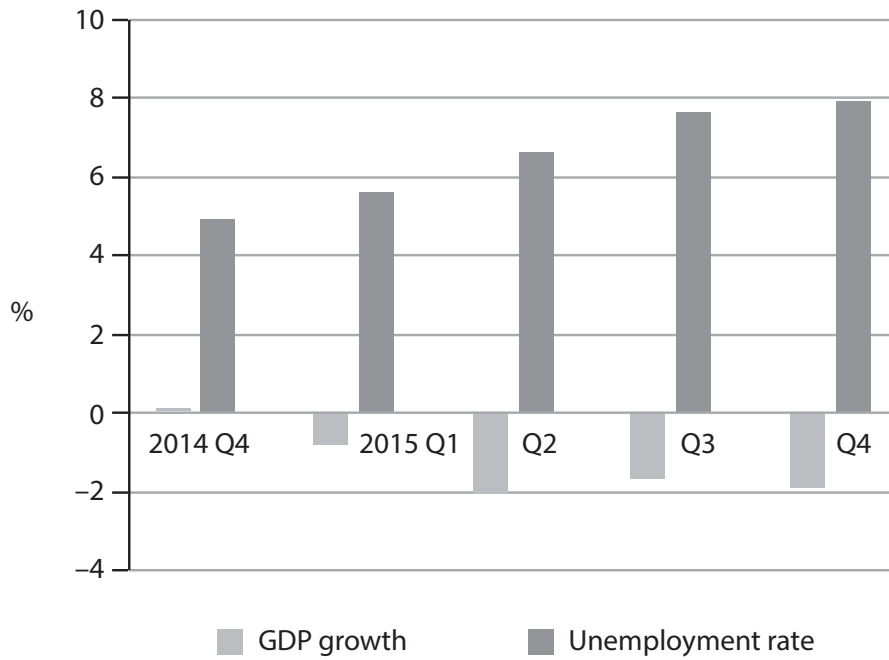


Figure 3b

(b) (i) Define unemployment.

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(ii) Explain the relationship between the unemployment rate and GDP growth as shown in Figure 3b.

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(iii) Discuss the effectiveness of supply-side policies in reducing unemployment.

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4 Over the last 20 years, Denmark has given \$250m in development aid to Ghana's healthcare system.

(a) (i) How might this development aid have helped Ghana's economy?

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Maersk is a multinational company (MNC) operating in the global shipping trade. In 2015, it announced it was investing over \$1bn into the development of Ghana's largest port, Tema Port. The investment will increase the capacity of the port by 400%.

(ii) Explain **two** reasons why MNCs might want to invest in developing economies such as Ghana.

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(iii) Foreign direct investment is the single most important cause of globalisation.
Do you agree with this statement? Explain your reasons.

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Ghana relies heavily on the export of the commodities gold and cocoa.

(b) (i) Explain **one** advantage and **one** disadvantage of Ghana's reliance on exports of such commodities.

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In 2015, Ghana's currency, the cedi, fell to an all-time low against the US dollar and most other currencies.

(ii) This fall is likely to have caused a

(1)

- A** fall in exports and a fall in imports
- B** fall in exports and a rise in imports
- C** rise in exports and a rise in imports
- D** rise in exports and a fall in imports

(iii) Identify and briefly explain **two** factors that affect exchange rates.

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Ghana is a member of ECOWAS (Economic Community of West African States), a regional trade bloc.

(c) (i) A trade bloc is a group of countries that

(1)

- A** have the same currency
- B** have common borders
- C** have reduced trade barriers between members
- D** all produce the same product

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