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Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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# Economics

## Paper 1

Friday 19 January 2018 – Morning  
**Time: 2 hour 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 labour market in Guizhou province in Southwest China.

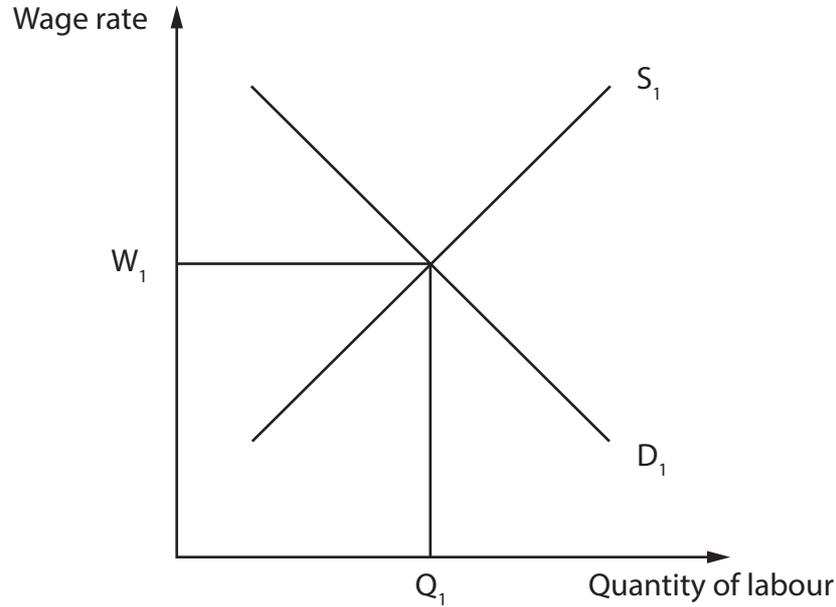


Figure 1a

In 2016 the Chinese authorities increased the minimum wage rate **above** the equilibrium wage rate,  $W_1$ .

(a) (i) On Figure 1a, draw a new line to show the higher minimum wage rate. (1)

(ii) On Figure 1a, label the new equilibrium wage rate  $W_2$  and quantity of labour employed  $Q_2$ . (2)

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(iii) Assess the impact of minimum wage legislation on the Chinese economy.

(6)

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P 5 3 2 8 7 R A 0 3 2 8

It is estimated that 80% of all toys in the world are made in China. There are over 7,200 toy manufacturing businesses in China employing 620,000 workers.

(b) Explain **two** factors that might affect the supply of labour in China.

(4)

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(c) (i) What is meant by price elasticity of supply?

(2)

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In China the price elasticity of supply for toys is more elastic than the price elasticity of supply for rice.

(ii) Suggest **two** possible reasons why this might be the case.

(4)

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Xinyou Wooden Toys is a company in Zheijan province, producing over 1000 different wooden toys and games that are exported all over the world.

(iii) Apart from price, explain **two** factors that might affect the demand for wooden toys.

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(d) In China the public sector now accounts for over 60% of Gross Domestic Product and creates 80% of jobs.

The public sector is the

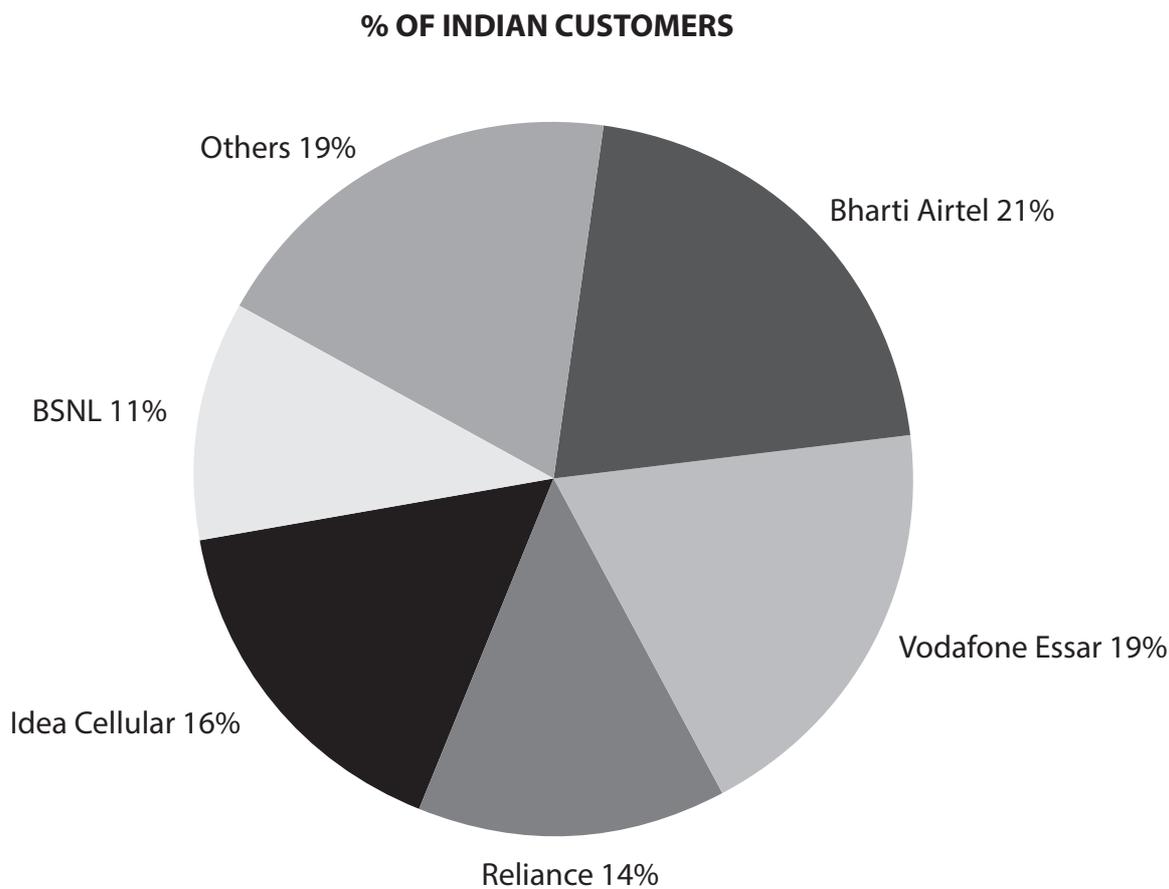
(1)

- A** provision of goods and services by private individuals and the state.
- B** provision of goods and services by charities.
- C** provision of goods and services by private individuals.
- D** provision of goods and services by the state.





2 Figure 2a shows the percentage market share of Indian telecommunications firms in 2015 based on the number of customers.



**Figure 2a**

(a) (i) What is the combined market share of the **four** largest telecommunications firms shown in Figure 2a?

(1)

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(ii) The Indian telecommunications market is best described as (1)

- A a monopoly.
- B a free market.
- C an oligopoly.
- D a niche market.

(iii) Explain the reasons for your answer to (a) (ii) with reference to the data in Figure 2a. (3)

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MTNL, a small telecommunications firm, has only a 1% share in the Indian telecommunications market.

(iv) Explain **two** reasons why small firms such as MTNL can exist alongside much larger firms. (4)

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Many small Indian firms struggle to find suitable finance to aid expansion.

(b) To what extent do you think a lack of finance is the main limitation on the growth of small firms?

(6)

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Adil Fashions, a small company, makes Banarasi silk saris in Varanasi, Uttar Pradesh.

(c) (i) Adil Fashions operates in the (1)

- A** primary sector.
- B** secondary sector.
- C** tertiary sector.

(ii) Give **one** example of a fixed cost and **one** example of a variable cost that Adil Fashions may incur. (2)

A fixed cost

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A variable cost

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When demand for Adil Fashions' silk saris increased in 2016, the firm increased capacity. Table 2a shows the weekly output and average costs per sari in rupees (Rs) for 2015 and 2016.

	2015	2016
Weekly output	500	800
Average cost per sari (Rs)	3 000	2 500

**Table 2a**

(iii) Calculate the change in total costs in rupees (Rs) between 2015 and 2016. You are advised to show your workings.

(3)

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In 2016 Adil Fashions sold saris for 3 500 rupees (Rs) each.

(iv) Calculate the weekly profit in 2016 assuming that all saris are sold. You are advised to show your workings.

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(d) In 2016 the World Health Organisation (WHO) identified Delhi as the world's most polluted city. The Indian government has brought in new regulations to enforce stricter emissions for all new cars.

Government regulation is the best way to deal with externalities such as pollution. Do you agree with this statement? Explain your answer.

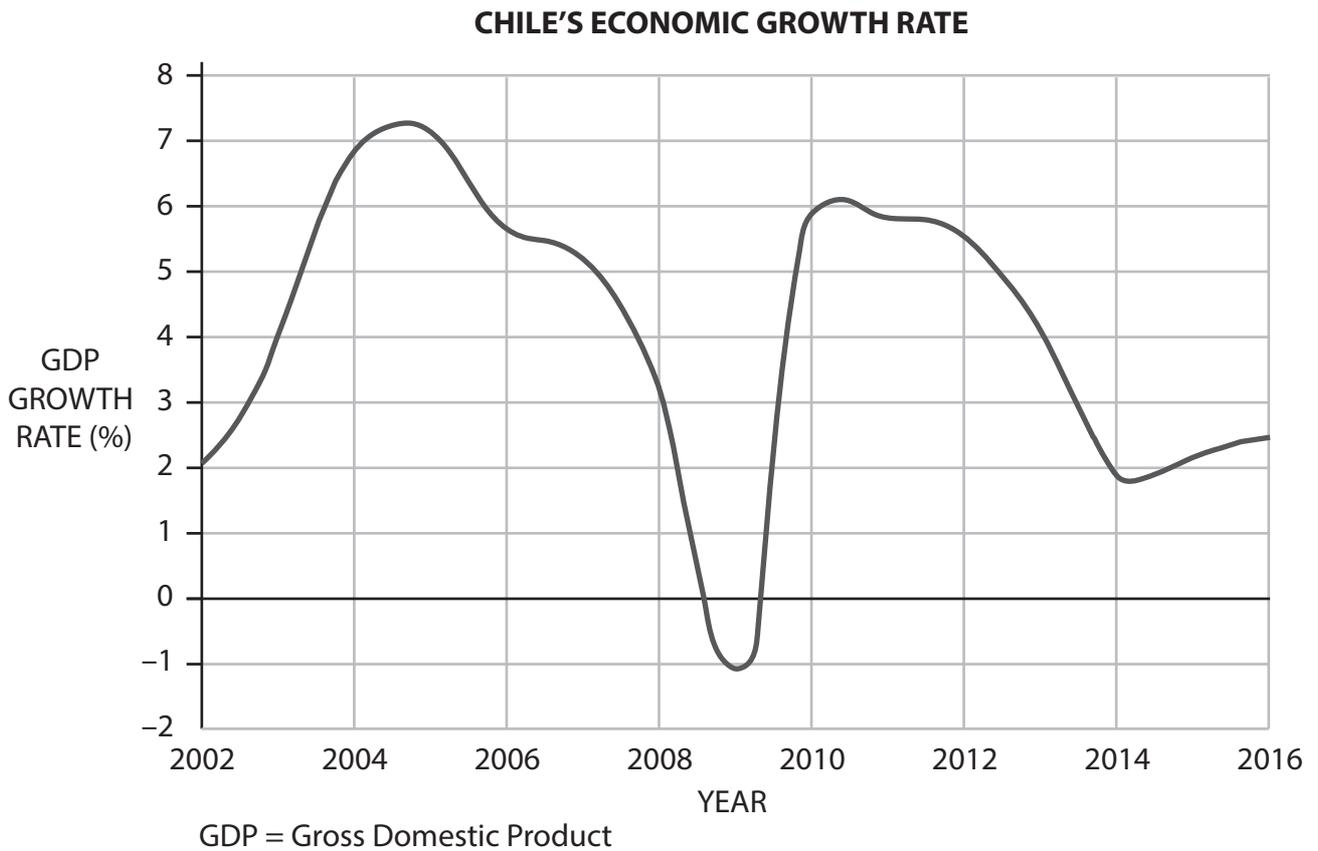
(6)

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(Total for Question 2 = 30 marks)



3 The economic growth rate in Chile 2002–2016



(Source: <http://www.ftseglobalmarkets.com/news/chile-can-one-of-latin-americas-stars-return-to-form.html>)

**Figure 3a**

(a) (i) What was Chile's economic growth rate in 2010?

(1)

(ii) Using the information in Figure 3a, describe what happened to Chile's economic growth rate between 2009 and 2016.

(2)



(iii) In 2009 Chile experienced a recession. With reference to the data in Figure 3a, explain this statement.

(2)

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(iv) Identify and explain **two** limitations of using GDP as a measure of economic growth for Chile.

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The Chilean government wants to return to the high economic growth rates of 2004 and 2005.

(v) To what extent is high economic growth always desirable?

(6)

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In June 2016 unemployment in Chile increased to 6.8%. Much of this increase was in the declining copper mining industry.

(b) (i) This is an example of (1)

- A cyclical unemployment.
- B structural unemployment.
- C voluntary unemployment.
- D seasonal unemployment.

(ii) Explain **one** possible financial cost to the Chilean economy of this increase in unemployment. (2)

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### Current Account on the Balance of Payments – Chile 2014

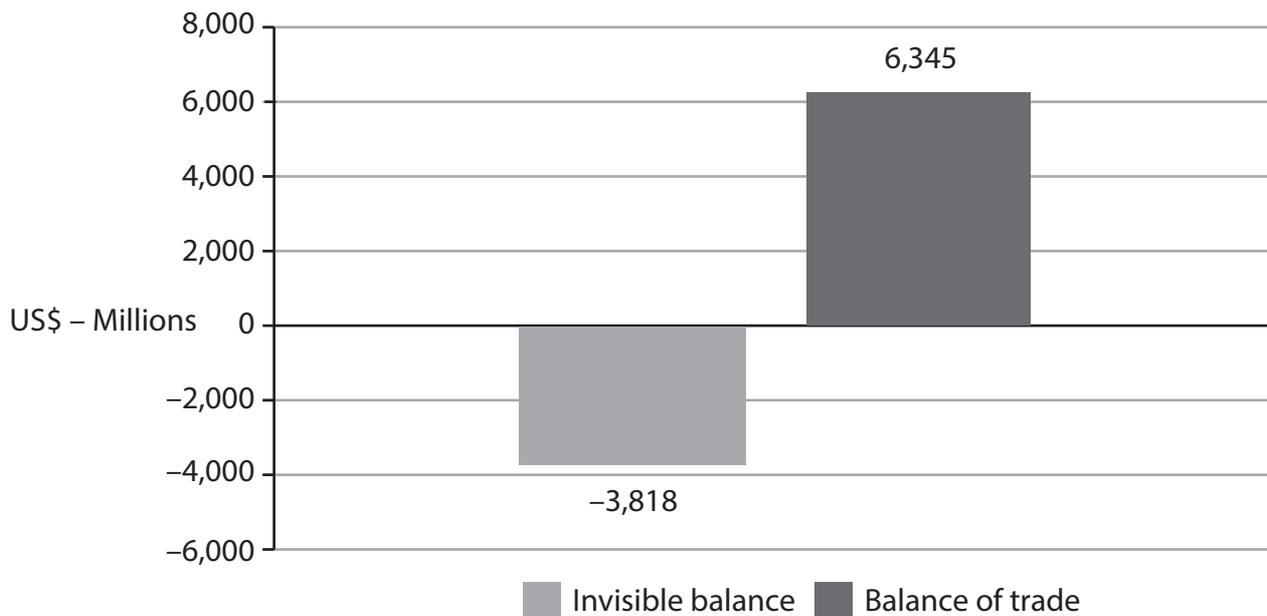


Figure 3b

(c) (i) Using the information in Figure 3b, calculate the balance of payments on the current account for Chile in 2014.

(1)

- A -\$2,527m
- B +\$10,163m
- C +\$2,527m
- D -\$10,163m





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4 The rand is the currency of South Africa. Figure 4a shows the exchange rate of rands (R) to the GB pound (£) 2012–2017.

EXCHANGE RATE OF RANDS (R) TO THE GB POUND (£) 2012–2017

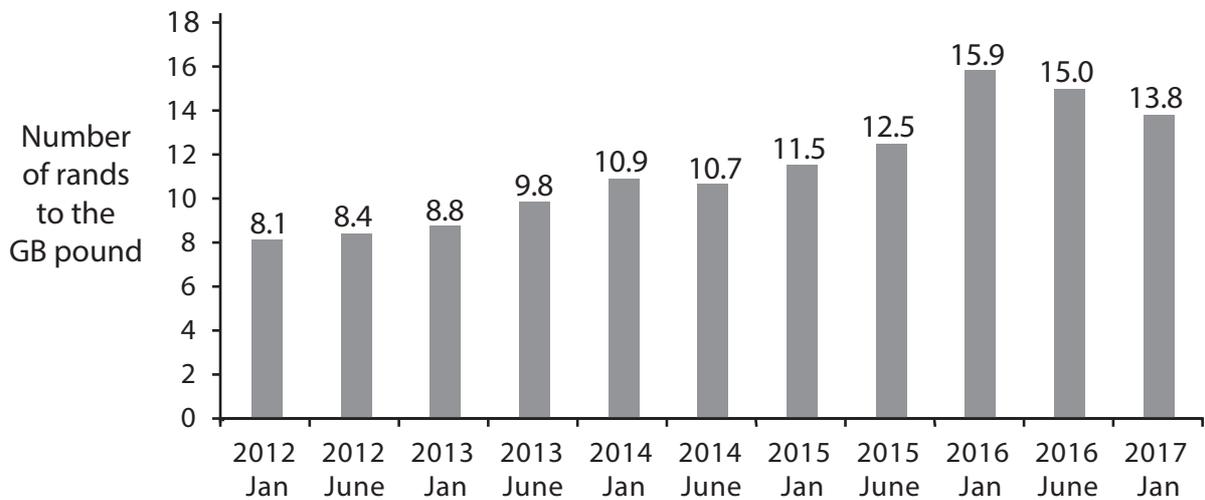


Figure 4a

Using Figure 4a, complete the following sentence.

(a) (i) Between June 2014 and Jan 2016 the value of the rand in terms of the GB pound (1)

- A appreciated.
- B did not change.
- C depreciated.

(ii) In June 2016 the exchange rate was R15 to £1. Calculate the price in rands of a Stella McCartney designer dress priced at £400. You are advised to show your workings. (2)

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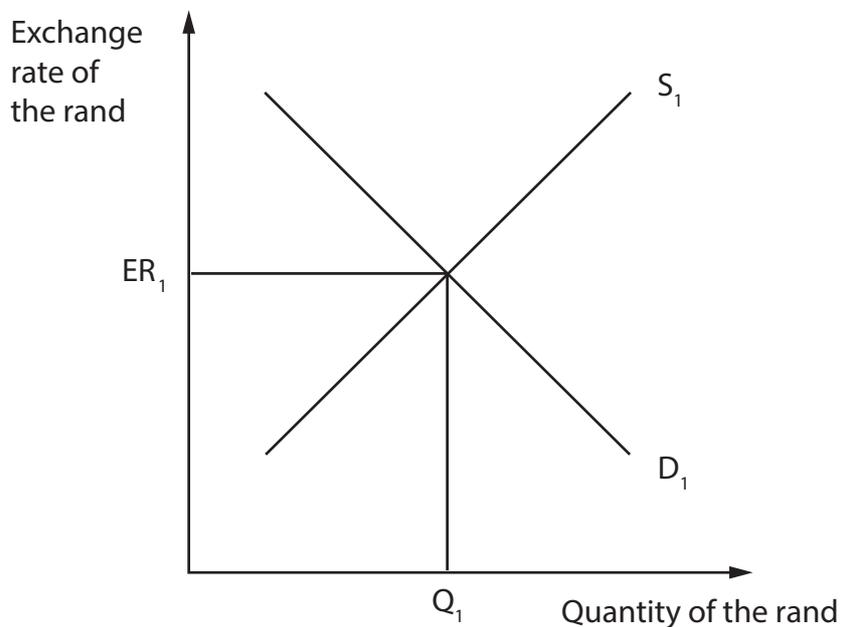
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Between 2015 and 2016 exports from South Africa rose by 10% and imports remained constant.

(iii) Using Figure 4b, show the likely effect of this increase on the exchange rate of the rand. Show the new equilibrium exchange rate  $ER_2$  and new quantity traded  $Q_2$ .

(3)



**Figure 4b**

South Africa has been a World Trade Organisation (WTO) member since 1 January 1995.

(b) Explain **two** functions of the WTO.

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The South African government offers a wide range of incentive schemes to encourage foreign investment into the country.

- (c) (i) State **one** financial incentive and **one** non-financial incentive the South African government might offer to foreign companies.

(2)

Financial incentive

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Non-financial incentive

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South Africa receives large amounts of development aid.

(d) (i) What is meant by 'development aid'?

(2)

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(ii) Explain **two** ways development aid encourages globalisation.

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In 2016 the unemployment rate in South Africa was 26.6%.

(e) Protectionism rather than free trade is the best way to prevent unemployment rising in South Africa. Do you agree with this statement? Explain your reasons.

(6)

Area with horizontal dotted lines for writing the answer to question (e).

**(Total for Question 4 = 30 marks)**

**TOTAL FOR PAPER = 120 MARKS**



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