

DO NOT WRITE IN THIS AREA

5 The East African Community (EAC) is a trading bloc that implements a common external tariff on non-member countries outside the bloc.

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

- A The EAC is a common market where member countries can benefit from the free movement of labour
- B The EAC is a trading bloc where member countries follow rules set by the World Bank
- C The EAC is an economic and monetary union where member countries share the same currency
- D The EAC is a customs union where member countries can benefit from trade creation

(Total for Question 5 = 1 mark)

5 Between December 2022 and December 2023, Australia's export prices decreased by 4.8% and import prices decreased by 3.1%.

What was Australia's terms of trade in December 2023 if December 2022 = 100?

- A 64.58
- B 98.25
- C 101.79
- D 154.84

(Total for Question 5 = 1 mark)

6 Between September 2019 and September 2020, Australia's export prices decreased by 9.9% and import prices decreased by 5.7%.

If September 2019=100, what was Australia's terms of trade in September 2020?

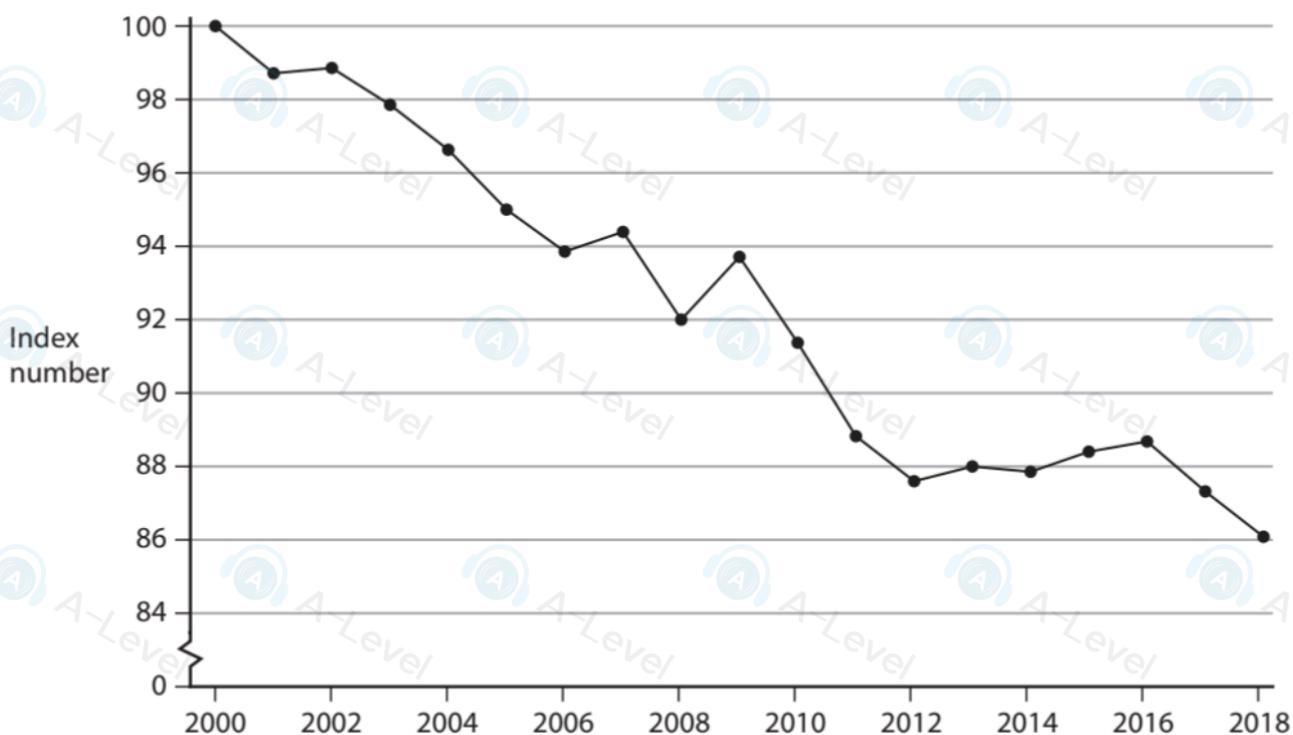
- A 57.58
- B 95.55
- C 104.66
- D 173.68

(Total for Question 6 = 1 mark)

WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

5 The chart shows Austria's terms of trade between 2000 and 2018, (2000 = 100).



Which **one** of the following can be deduced from the chart over the period 2000–2018?

- A Export prices and import prices have fallen at the same rate
- B Import prices have risen at a faster rate than export prices
- C Export prices have risen at a faster rate than import prices
- D Import prices have fallen relative to export prices

(Total for Question 5 = 1 mark)

6 Between 2000 and 2020 Pakistan's terms of trade decreased by 43.4%.

Ceteris paribus, which **one** of the following factors is most likely to have caused this decrease in Pakistan's terms of trade?

- A A higher rate of inflation in Pakistan relative to other countries
- B The prices of imports into Pakistan increased at a faster rate than the prices of its exports
- C An appreciation of Pakistan's exchange rate
- D The prices of Pakistan's exports increased at a faster rate than the prices of its imports

(Total for Question 6 = 1 mark)

- 6 The table shows Bosnia and Herzegovina's index of export prices and index of import prices between 2018 and 2020, (2000=100).

Year	Index of export prices	Index of import prices
2018	379.7	219.1
2019	354.4	214.2
2020	331.8	191.9

Ceteris paribus, which **one** of the following can be deduced from this table?

- A Between 2000 and 2018 Bosnia and Herzegovina's terms of trade worsened by 73.3%
- B Between 2000 and 2020 Bosnia and Herzegovina's terms of trade improved by 72.9%
- C Bosnia and Herzegovina had to export the same amount of goods and services to purchase a given quantity of imports each year
- D Bosnia and Herzegovina's index of import prices exceeded its index of export prices each year

(Total for Question 6 = 1 mark)

- 4 In 2021 Tanzania's index of export prices was 142.3 and its index of import prices was 121.3.

Which **one** of the following was Tanzania's terms of trade in 2021?

- A 21.0
- B 85.2
- C 117.3
- D 263.6

6 The table shows Afghanistan's terms of trade between 2015 and 2017 (2000=100).

Year	Terms of trade
2015	154.4
2016	163.8
2017	169.0

Ceteris paribus, which **one** of the following can be deduced from the data?

- A The value of Afghanistan's imports have risen relative to the value of its exports
- B The average price of Afghanistan's exports have fallen relative to the average price of its imports
- C Afghanistan is likely to experience an improvement in its living standards
- D Afghanistan is likely to experience a deterioration in the financial account of the balance of payments

(Total for Question 6 = 1 mark)

6 Between 2000 and 2019 Afghanistan's terms of trade increased by 65%.

Ceteris paribus, which **one** of the following is most likely to have caused an increase in Afghanistan's terms of trade?

- A Lower relative inflation rates
- B A decrease in the price of exports
- C Depreciation of its exchange rate
- D A decrease in the price of imports

(Total for Question 6 = 1 mark)

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) In 2020 the value of world exports was \$22.5 trillion.
With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings. (2)
- (b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** factors that contributed to 'increased globalisation'. (8)
- (c) Explain what is meant by 'protectionist policies'. (Extract A, line 14) (4)
- (d) With reference to the third paragraph of Extract A, analyse **two** roles of the World Trade Organization (WTO). (6)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic benefits to China of signing free-trade agreements with other countries. (14)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Sources for use with Section B

The global economy

Figure 1 World exports, % of world Gross Domestic Product (GDP), 1980–2020

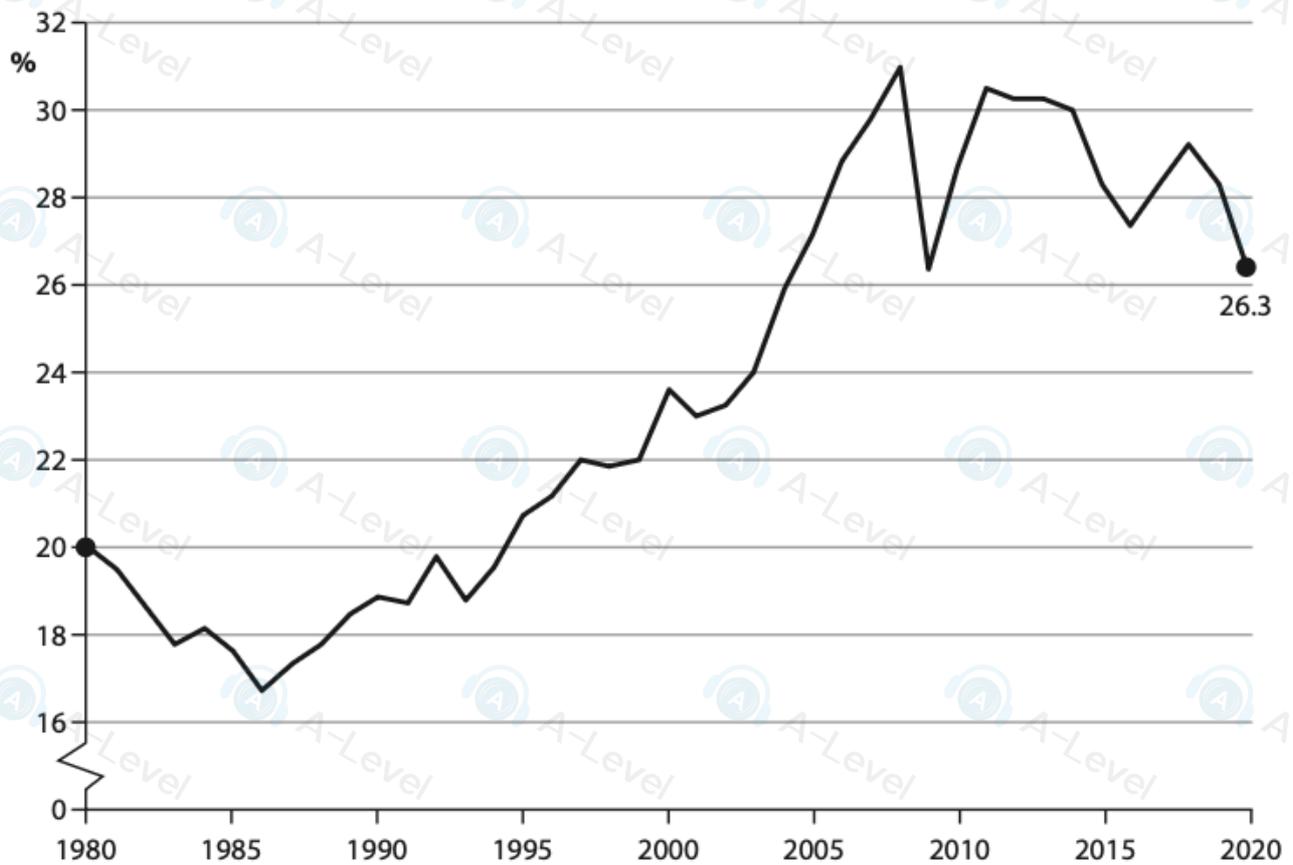
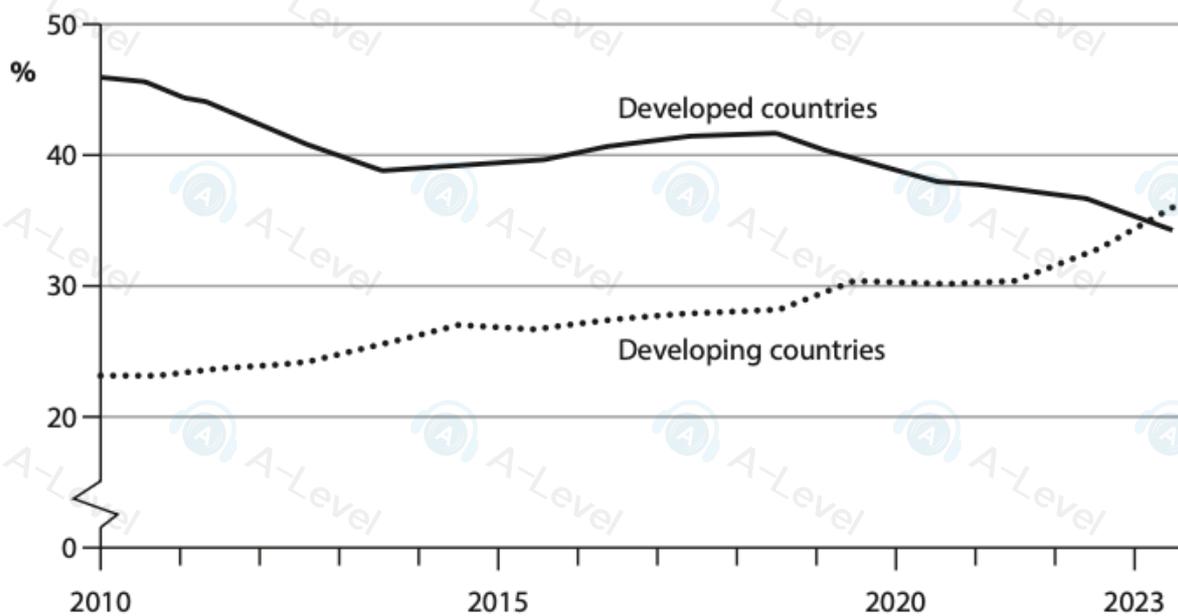


Figure 2 Destination of exports from China, % of total exports, January 2010 to April 2023



Extract A Globalisation

Between 1980 and 2020, world exports as a percentage of GDP rose significantly. Economists identified a combination of factors that contributed to increased globalisation during this period:

- the reduced cost of transport 5
- the reduced cost of communications
- the increased significance of TNCs
- political change (breakdown of the Soviet system and the opening up of China).

After the breakdown of the Soviet system in the early 1990s, the world economy experienced two significant periods in relation to global exports. Until 2010 there was a period of 'hyperglobalisation'. The flows of foreign direct investment (FDI) and portfolio investment across borders grew faster than the trade in goods and services. After 2010 there was a period of 'slowbalisation' in which growth in trade and investment increased at a slower rate. This was as a result of the increased use of protectionist policies by the USA and the European Union (EU) on China to protect national security. The USA and the EU are China's largest export markets. 10 15

Economists claimed that the World Trade Organization (WTO) was ineffective in preventing the USA and the EU from using protectionist policies. These policies prompted the Government of China to reduce its trade dependency on developed countries by promoting trade with developing countries in Asia, Africa and South America. By 2022 China had signed free-trade agreements with 28 countries. These agreements allow the free movement of goods and services and remove restrictions on FDI. In 2022, China also became a member of the Regional Comprehensive Economic Partnership (RCEP), a free-trade area, that contributes to one-third of the world's GDP. 20

China's Government believes that these 28 free-trade agreements and its RCEP membership could increase the country's rate of economic growth and improve its economic development. In 2023 exports to these 28 countries contributed to nearly 38% of China's global exports, exceeding its exports to developed countries. Trade between China and the other RCEP member countries increased by 5.3% between 2021 and 2023. 25

However, many economists suggest that, in the long term, China cannot easily replace its loss of trade with the USA and the EU by trading with other countries and regions. The current trade wars with the USA and the EU mean that China remains highly exposed to risks that global trade may further decline in 2024. Consequently, China would not want to see continued 'slowbalisation'. It has been a beneficiary of trade liberalisation, experiencing a tenfold increase in its total trade since it became a member of the WTO in 2001. 30 35

SECTION C

Answer TWO questions from this section.

- 8** Between 2000 and 2020, Gibraltar's terms of trade worsened by 44.6% and Greece's terms of trade worsened by 14.3%.

Evaluate factors that might cause a country's terms of trade to worsen.

(Total for Question 8 = 20 marks)

- 8** In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

(Total for Question 8 = 20 marks)