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3 In 2022 Romania's labour productivity increased at a faster rate than that of its main trading partners.

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

- ☒ **A** Average export prices of Romanian goods and services increased relative to the average export prices of its trading partners
- ☒ **B** Unit labour costs in Romania decreased relative to the average unit labour costs of its trading partners
- ☒ **C** Romania's goods and services became less internationally competitive relative to its trading partners
- ☒ **D** Romania experienced an improvement in its terms of trade

(Total for Question 3 = 1 mark)

3 In 2018 the UK Government introduced tariffs on imported steel. In 2022 it decided to maintain these tariffs until 2024.

Which **one** of the following is the most likely reason why the UK Government maintained these tariffs until 2024?

- ☒ **A** To increase the level of unemployment in the UK steel industry
- ☒ **B** To prevent dumping of steel in the UK from foreign countries
- ☒ **C** To protect transnational companies supplying steel to the UK
- ☒ **D** To decrease government revenue from tariffs on imported steel

(Total for Question 3 = 1 mark)

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5 In 2019 India's international competitiveness rank was 10 places lower than it was in 2018.

Which **one** of the following is the most likely reason for this fall in India's international competitiveness?

- ☒ **A** A decrease in its inflation rate relative to other countries
- ☒ **B** A decrease in its unit labour costs relative to other countries
- ☒ **C** A decrease in its labour productivity relative to other countries
- ☒ **D** A decrease in its transportation costs relative to other countries

(Total for Question 5 = 1 mark)

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3 In 2022 South Korea's international competitiveness ranking was four places lower than it was in 2021.

Which **one** of the following measures is most likely to increase South Korea's international competitiveness?

- ☒ **A** Stricter regulation of product markets
- ☒ **B** Privatisation of state-owned enterprises
- ☒ **C** Greater restrictions on free trade
- ☒ **D** Less spending on education and training

(Total for Question 3 = 1 mark)

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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)

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3 According to the Global Competitiveness Index, Finland's international competitiveness rank fell six places between 2015 and 2018.

Which **one** of the following measures is most likely to increase Finland's international competitiveness?

- ☒ **A** A reduction in spending on infrastructure
- ☒ **B** Stricter regulation of labour markets
- ☒ **C** Improvements in education and training
- ☒ **D** More restrictions on free trade

(Total for Question 3 = 1 mark)

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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

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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)

7 In 2018, the EU's rate of inflation was 1.6%.

(a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

(2)

(b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9).

(4)

(c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3).

(6)

(d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13).

(8)

(e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.

(14)

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Sources for use with Section B.

The European Union (EU)

Figure 1 Annual real GDP growth rate (%), 2000–2018

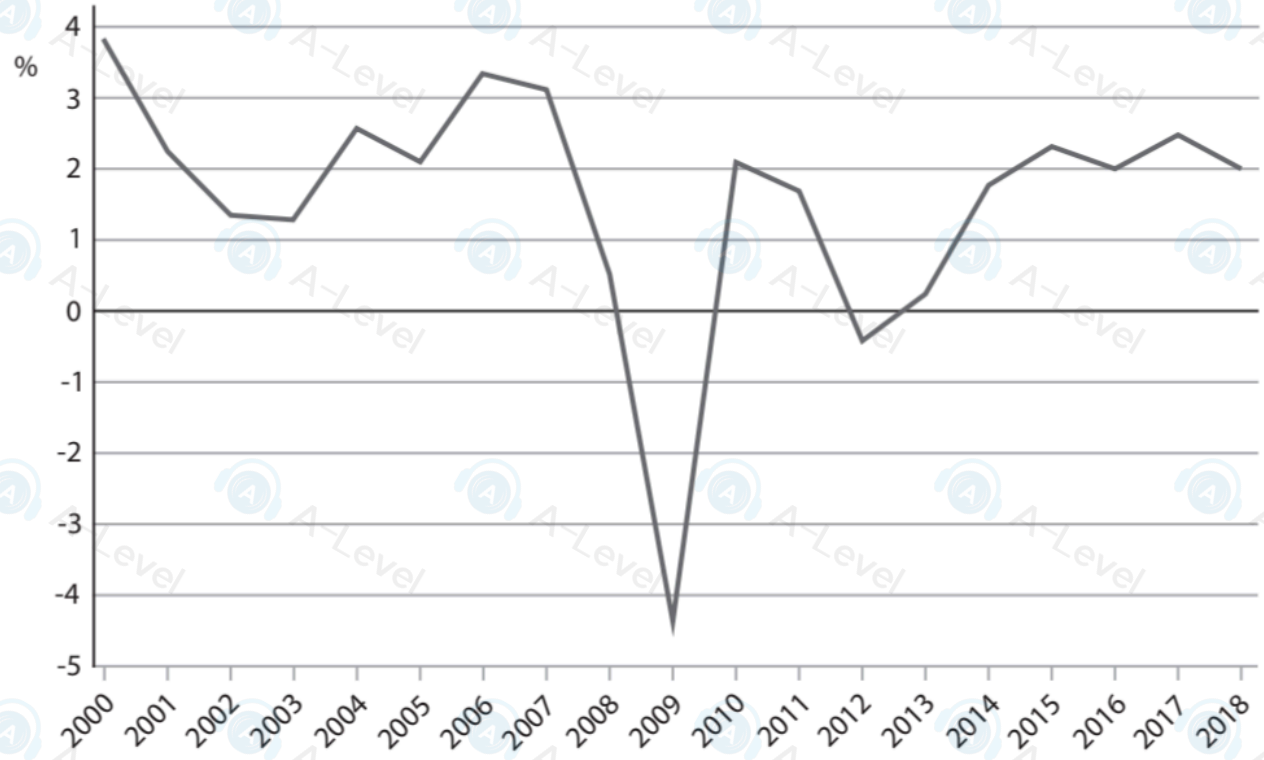

Figure 2 Annual inward foreign direct investment to the EU (% of GDP), 2000-2018



Extract A Economic growth

The European Union (EU) is a customs union. Many EU countries experienced strong economic growth after 2012, four years after the global financial crisis of 2008. After some years of low domestic demand since the crisis, firms in the EU were able to take advantage of increasing consumer spending. In 2018 household expenditure rose by 2% and the EU benefited from an expansion in global trade.

The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown.

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA.

Extract B Trade agreement

In July 2019 the South American customs union, Mercosur, and the EU announced they were close to agreeing a free trade deal. If concluded it would be the largest ever trade agreement negotiated by the EU in terms of tariff reductions.

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade.

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers.

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018.

10 In 2019 the current account deficit on the balance of payments in Turkey was US$47.4 billion and in Argentina it was US$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(Total for Question 10 = 20 marks)

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