

GCSE

Economics

Unit **A593**: The UK Economy and Globalisation

General Certificate of Secondary Education

Mark Scheme for June 2017

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Please annotate **every** response, even if no credit is given.

Annotation	Meaning
	Tick
	Cross
	Unclear
BOD	Benefit of doubt
L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
NAQ	Not answered question
OFR	Own figure rule
REP	Repeat
SEEN	Noted but no credit given
TV	Too vague
^	Omission mark

Highlighting is also available to highlight any particular points on the script.

'SEEN' to be inserted on every blank page and in every question space where NR is the mark.

Question		Answer	Marks	Guidance														
1	(a) (i)	Other than China or India, identify one country which has seen its ranking in the global economy improve between 1990 and 2014. Brazil or Indonesia	1	For one mark														
	(ii)	Identify one country which has seen its ranking in the global economy remain the same between 1990 and 2014. The United Kingdom	1	For one mark														
	(b)	What do the letters GDP stand for? <u>Gross Domestic Product</u>	1	For one mark Only award the mark if all three words are correct.														
2		<table border="1"> <thead> <tr> <th>Statement</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>In 2014, the UK had a balance of trade in goods surplus with the United States</td> <td>✓</td> </tr> <tr> <td>By 2014, the United States was a bigger source of UK imports of goods than the Netherlands</td> <td></td> </tr> <tr> <td>In 2014, Switzerland became one of the top five sources of UK imports of goods</td> <td></td> </tr> <tr> <td>By 2014, the UK had a balance of trade in goods surplus with Germany</td> <td></td> </tr> <tr> <td>By 2014, China had become the second largest source of UK imports of goods</td> <td>✓</td> </tr> <tr> <td>By 2014, Ireland was no longer in the top five markets for UK exports of goods</td> <td>✓</td> </tr> </tbody> </table>	Statement	Tick (✓)	In 2014, the UK had a balance of trade in goods surplus with the United States	✓	By 2014, the United States was a bigger source of UK imports of goods than the Netherlands		In 2014, Switzerland became one of the top five sources of UK imports of goods		By 2014, the UK had a balance of trade in goods surplus with Germany		By 2014, China had become the second largest source of UK imports of goods	✓	By 2014, Ireland was no longer in the top five markets for UK exports of goods	✓	3	One mark for each correct identification, up to a maximum of three identifications. If more than three boxes are ticked, then accept the first three only.
Statement	Tick (✓)																	
In 2014, the UK had a balance of trade in goods surplus with the United States	✓																	
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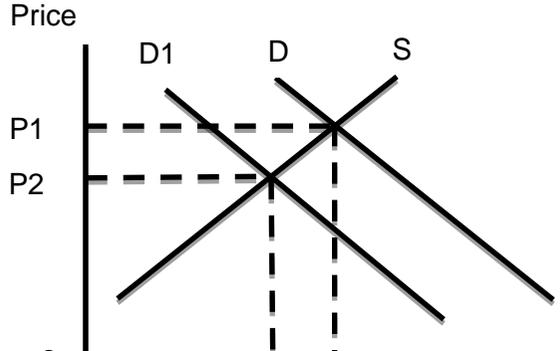
3	(a)	<p>Using Fig. 3, calculate China's balance of trade in goods with South Korea in 2014. Show your working</p> <p>$\\$100,402\text{m} - \\$190,286\text{m} = -\\$89,884\text{m}$ or a deficit of $\\$89,884\text{m}$ or $-\\$89.884$ billion</p> <p>One mark for correct identification of the calculation: $\\$100,402\text{m} - \\$190,286\text{m}$</p> <p>One mark for stating that the balance of trade in goods is $\\$89,884\text{m}$ or $\\$89.884\text{bn}$</p> <p>One mark for stating or showing by means of a minus sign that China's balance of trade in goods with South Korea is in deficit.</p>	3	<p>Up to three marks. The number of ticks must equal the marks awarded. Use  annotation to indicate missing deficit sign.</p> <p>One mark for correct method, i.e. $\\$100,402\text{m} - \\$190,286\text{m}$ One mark for correct answer One mark for – or use of 'deficit'</p> <p>Three marks for correct answer, including – sign or 'deficit' if working is not shown.</p> <p>Maximum of two marks if the minus sign is missing in the answer.</p> <p>N.B. Do not forget OFR.</p>
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	(b)	<p>Using Figs. 3 and 4, calculate and compare the balance of trade in goods with the United States for China and for India in 2014.</p> <p>One mark for calculating China's balance of trade in goods with the US in 2014:</p> <p>Value of exports = \$397,099m Value of imports = \$154,136m</p> <p>China's balance of trade with the US in 2014 = \$242,963m or \$242.963bn</p> <p>One mark for calculating India's balance of trade in goods with the US in 2014:</p> <p>Value of exports = \$42,496m Value of imports = \$21,234m</p> <p>India's balance of trade with the US in 2014 = \$21,262m or \$21.262bn</p> <p>One mark for valid points of comparison, such as:</p> <ul style="list-style-type: none"> • Both countries have a surplus with the US in trade in goods. • China has a greater surplus than India with the US in trade in goods. <p>Up to two marks for valid points of comparison, such as:</p> <ul style="list-style-type: none"> • China's surplus with the US is nearly 11.5 times greater than that of India (actually 11.43 times). • China's surplus with the US is \$221,701m or \$221.701bn greater than that of India. <p>Any other valid comparison.</p>	4	<p>Up to four marks. The number of ticks must equal the marks awarded.</p> <p>Up to two data marks for calculations of the balance of trade in goods for both countries.</p> <p>Up to two marks for valid points of comparison.</p> <p>Candidates who make one valid point of comparison and illustrate it with a correct calculation can be awarded up to two marks.</p> <p>Do not reward simple repetition of data from the stimulus by candidates. They must use the stimulus data for calculation marks to be awarded.</p> <p>N.B. Do not forget OFR.</p>
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Question	Answer	Marks	Guidance	
(c)	Many countries have a balance of trade deficit with China. Evaluate one protectionist method and one other method that a government could use to reduce a balance of trade deficit.			
			Content	
	<p>Indicative content:</p> <p>Protectionism methods include:</p> <ul style="list-style-type: none"> • Tariffs • Quotas • Embargoes/trade bans • Subsidies • Others, e.g. Voluntary Export Restraints (VERs); public purchasing policies; setting specific national standards for imports; laws, rules & regulations; customs delays; administrative requirements/red tape; etc. <p>Non-protectionism methods include:</p> <ul style="list-style-type: none"> • Demand management (fiscal and/or monetary policy) • Supply-side policy • Exchange rate policy • Trade delegations/export drives etc. <p>Exemplar response:</p> <p>A protectionist measure such as a tariff could be used (L1). A tariff is a tax on imports, which would increase the price of imported goods (L2). Due to the higher domestic price, the quantity demanded of</p>	10	<p>Level 4 At the top of the level, a candidate will evaluate one protectionist method and one non-protectionist method. Answers which only evaluate one method cannot gain more than 8 marks.</p> <p>Level 3 At the top of the level, a candidate will analyse the use of one protectionist method and one non-protectionist method. Answers which only analyse one method cannot gain more than 5 marks.</p> <p>Level 2</p>	<p>Level 4 (8–10 marks) Candidate evaluates one protectionist and/or one non-protectionist method by which a government could reduce its balance of trade deficit with China and reaches a reasoned conclusion.</p> <p>9-10 marks – protectionist and non-protectionist method 8 marks – protectionist or non-protectionist method</p> <p>Level 3 (5–7 marks) Candidate analyses one protectionist and/or one non-protectionist method by which a government could reduce its balance of trade deficit with China.</p> <p>6-7 marks – protectionist and non-protectionist method 5 marks – protectionist or non-protectionist method</p> <p>Level 2 (3–4 marks) Candidate demonstrates</p>

		<p>imports would fall (L3) and the balance of trade would improve. However, the use of tariffs can often lead to retaliation by the exporting country and so if China decides to retaliate against that economy's imports into China, this might mean that the economy's balance of trade in goods does not improve very much (L4).</p> <p>A non-protectionist method to reduce a trade deficit could be the use of fiscal policy to lower the level of aggregate demand (L1), which would aim to increase taxation rates to reduce consumers' disposable incomes (L2) and so cause them to be less willing and able to buy imports and so the demand for imports would reduce (L3) and the balance of trade would improve. However, the use of tighter fiscal policy can often lead to falling levels of output in the economy and rising unemployment and the government might be unwilling to use such a policy as it can lead to significant increases in public spending and the size of the national debt (L4).</p>		<p>Candidate describes or explains different policies, rather than analysing them.</p> <p>Level 1 Candidate identifies or names policies.</p> <p>N.B. Candidates who do not meet the rubric requirements of the question, e.g. by answering the question with two methods of protectionism (tariffs and quotas, for instance) can only be awarded marks at the bottom of each respective level.</p>	<p>knowledge of which methods could be used and/or describes or explains these, rather than analysing how they could reduce a trade deficit with China.</p> <p>Level 1 (1–2 marks) Candidate demonstrates some knowledge of methods by which a trade deficit could be reduced.</p> <p>OR</p> <p>Candidate identifies a benefit(s) of reducing a balance of trade deficit, e.g. reduced downward pressure upon a country's currency.</p> <p>OR</p> <p>Candidate shows knowledge of a balance of trade deficit.</p>
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4	(a)	<p>Many economists believe that Zambia has an absolute advantage over many countries in the production of copper. State and explain two benefits of such an absolute advantage to Zambia.</p>		
		<p>Benefits include: lower average costs of production, lower prices, high volume of exports, high value of export earnings, the ability to undertake specialisation, etc.</p> <p>Exemplar responses:</p> <p>Absolute advantage allows Zambia to produce more copper per unit of resources than its competitors (1) and so its average costs of production are lower (1).</p> <p>Absolute advantage allows Zambia to produce more copper at a lower cost per tonne than its competitors (1) and so its prices of copper are more competitive (1).</p> <p>Absolute advantage allows Zambia to sell its copper at a lower price per tonne than its competitors (1) and so its exports of copper are high (1).</p> <p>Absolute advantage allows Zambia to specialise in the production of copper (1) and so its overall level of efficiency increases (1).</p>	4	<p>Two marks for each clear explanation (examples opposite).</p> <p>One mark for each benefit or for some understanding shown.</p> <p>The number of ticks must equal the marks awarded.</p>

	(b)	<p>Using Figs. 5 and 6 compare the trends in Zambian exports to the UK and China between 2000 and 2014.</p> <p>One mark for stating each of the following:</p> <ul style="list-style-type: none"> • The value of Zambian exports to the UK has fallen, whereas the value of Zambian exports to China has risen • Between 2000 and 2005, Zambia sold more exports to the UK than to China • After 2006, Zambia sold more exports to China than to the UK • The highest value of Zambian exports to China is larger than the highest value of Zambian exports to the UK • The lowest value of Zambian exports to China is lower than the lowest value of Zambian exports to the UK <p>As a result:</p> <ul style="list-style-type: none"> • The UK's importance to Zambia has declined, while China's importance to Zambia has increased • Any other valid point of comparison 	4	<p>One mark for each valid point of comparison made, up to a maximum of four points, but allow development marks.</p> <p>N.B. Candidates can only be rewarded if appropriate comparisons are made.</p> <p>Do not reward simple repetition of data from the stimulus by candidates. No marks for trawling/describing/quoting data yearly without comparison.</p> <p>Maximum of one mark only for comparing the changes in Zambia's exports to the UK and China year by year (from Fig. 5).</p> <p>OR:</p> <p>Maximum of one mark only for comparing the importance to Zambia of its exports to the UK and China year by year (from Fig. 6).</p> <p>The number of ticks must equal the marks awarded.</p>
	(c) (i)	<p>Up to three marks for a correct diagram such as:</p> 	3	<p>A maximum of three marks for the diagram.</p> <p>With the correct shift of demand, the diagram should show a decrease in the price and reduction in quantity bought and sold of copper.</p> <p>OFR applies for the price and quantity parts. If the demand curve is shifted to the right candidates can gain a maximum of two marks.</p> <p>N.B. Candidates who answer the question using a diagram showing only a shift of supply can only be awarded a</p>

			<p style="text-align: center;">Q2 Q1 Quantity</p> <ul style="list-style-type: none"> • One mark for the original equilibrium (including labels) • One mark for shifting the demand curve to the left and labelling correctly • One mark for the new equilibrium (including labels) 		<p>maximum of one mark as long as they show the original equilibrium (including labels).</p> <p>The number of ticks must equal the marks awarded.</p>
	(c)	(ii)	<p>Using Fig. 7, explain the effects of the changes in demand and supply of copper between 2012 and 2014 on the market for copper.</p> <p>One mark for stating that the price of copper is likely to fall.</p> <p>One mark for stating that the market is likely to be in a position of market surplus (i.e. supply > demand).</p> <p>One mark for explaining that this is due to a rise in demand that is less than the rise in supply.</p>	3	<p>Explanation – maximum of three marks.</p> <p>N.B. Remember OFR may apply.</p> <p>The number of ticks must equal the marks awarded.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(d)	<p>Fig. 8 states that the Zambian currency was down 45% in the past year. Evaluate the likely impact of the falling value of its currency on Zambia's balance of trade.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • With a lower value of the Zambian currency (the kwacha), there will be a fall in the price of Zambian exports and a rise in the price of Zambian imports • Zambian exports will become more competitive overseas • Zambian imports will become less competitive in the Zambian economy • There will be a rise in the demand for Zambian exports and a fall in demand for Zambian imports • The relative strength of these changes in demand for Zambian imports and exports will depend upon their price elasticity of demand <p>Relevant discussion:</p> <p>Regardless of a change in prices of imports and exports, if the price elasticities of demand for imports and exports are inelastic then there will be a less than responsive change in quantity demanded and this may worsen the Zambian trade deficit.</p> <p>Higher import prices could increase Zambian inflation and so make exports less price competitive and so, over time, the demand for Zambian exports falls.</p> <p>Any benefits of a falling exchange rate could be reduced by retaliation by trading partners including protectionism and/or competitive lowering of their exchange rate.</p>	8	<p>Level 4 At the top of the level, a candidate will evaluate the impact of a falling currency upon Zambia's imports and exports. Answers which only evaluate either imports or exports cannot gain more than 7 marks.</p> <p>Level 3 At the top of the level, a candidate will analyse the impact of a falling currency upon Zambia's imports and exports. Answers which only analyse either imports or exports cannot gain more than 5 marks.</p> <p>Candidates who do not relate to the Zambian economy will gain a maximum of four marks (top of Level 2).</p> <p>Level 2 Candidate explains or describes how a change in the exchange rate can change imports and exports or</p>	<p>Level 4 (7–8 marks) Candidate evaluates how a fall in the Zambian currency will affect Zambia's imports and exports and reaches a reasoned conclusion as to the likely impact on Zambia's trade balance.</p> <p>8 marks – imports and exports 7 marks – imports or exports</p> <p>Level 3 (5–6 marks) Candidate analyses how a fall in the Zambian currency will affect Zambia's imports and exports.</p> <p>6 marks – imports and exports 5 marks – imports or exports</p> <p>Level 2 (3–4 marks) Candidate demonstrates an understanding of how a change in the exchange</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>Exemplar response:</p> <p>A falling exchange rate will make Zambian imports less competitive in the Zambian economy and Zambian exports more competitive in overseas markets (L1). This should lead to a rise in the demand for exports and a fall in the demand for imports (L2).</p> <p>If the price elasticity of demand for Zambian exports is elastic ($PED > 1$) then export volumes and export revenue will increase. However, if the price elasticity of demand for Zambian exports is inelastic ($PED < 1$) then export volumes will increase, but export revenue will decrease (L3).</p> <p>If the price elasticity of demand for Zambian imports is elastic ($PED > 1$) then import volumes and import expenditure will decrease. However, if the price elasticity of demand for Zambian imports is inelastic ($PED < 1$) then import volumes will decrease, but import expenditure will increase (L3).</p> <p>The overall impact of the falling currency on Zambia's imports and exports will depend upon the price elasticity of demand for Zambia's imports and exports. But in addition, the reason for the 45% fall in the value of the currency in the last year is the fall in demand for Zambian copper by China. Therefore, even if the falling currency makes Zambia's copper cheaper to China it is unlikely to lead to a significant increase in the demand for copper unless and until China's economy starts growing more quickly in the years ahead. And, ironically, this increase in the demand for Zambian copper will lead to an increase in the value of</p>		<p>competitiveness, rather than analysing them and does not relate the answer to the Zambian economy.</p> <p>Level 1 Candidate identifies or states that a fall in the exchange rate will alter import and export prices.</p> <p>OR</p> <p>Candidate identifies or states causes of a fall in the value of the exchange rate.</p> <p>OR</p> <p>Candidate identifies or states other possible effects of a fall in the value of the exchange rate.</p>	<p>rate will impact upon demand for imports and/or exports OR competitiveness.</p> <p>Level 1 (1–2 marks) Candidate demonstrates some knowledge of how the level of OR changes in the exchange rate will impact upon the prices of and the affordability of imports and exports.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			the Zambian currency (the kwacha) and so will cause the price of Zambian copper to start rising (L4).			

	(e)	Fig. 9 shows the prices of four commodities from 1990 to 2014. State two similar features of the prices of all four commodities during that time.		
		<p>One mark for stating each of the following:</p> <ul style="list-style-type: none"> • The prices of all four commodities were fairly stable in the 1990s (and early 2000s) • The prices of all four commodities started to rise around 2003/4 • The prices of all four commodities fell between 2008 and 2009 • The prices of all four commodities were higher in 2014 than they were in 1990 • The prices of all four commodities have fallen after 2011 • Any other valid similarity. 	2	<p>One mark for each valid point of similarity made.</p> <p>The number of ticks must equal the marks awarded.</p>
5	(a)	Explain one reason why it is important for the UK to improve its productivity.		
		<p>Indicate content:</p> <ul style="list-style-type: none"> • The need to remain internationally competitive • The need to catch up with our main competitors • The need to attract foreign direct investment • The need to keep domestic inflation under control • The need to improve the balance of trade or BoP. <p>Exemplar responses:</p> <p>It is important for the UK to become more productive to remain internationally competitive (1), because if not the UK's balance of trade deficit will worsen (1).</p> <p>It is important for the UK to improve its productivity to keep domestic inflation under control (1), otherwise costs and prices will rise and domestic living standards will fall (1).</p>	2	<p>Up to two marks.</p> <p>One mark for a correct identification of a reason plus a further mark for the explanation.</p> <p>One mark for identification of a reason or for some understanding shown.</p> <p>Answers that do not address 'why it is important' should not be awarded more than one mark.</p> <p>The number of ticks must equal the marks awarded.</p>

	(b)	Other than productivity and investment in education and training, state and explain one factor that influences an economy's competitiveness.		
		<p>Factors include: wages, relative unit labour costs, the exchange rate, other costs of production (e.g. imported raw materials), low inflation, investment in capital, etc.</p> <p>Exemplar response:</p> <p>One factor that influences an economy's competitiveness is its exchange rate (1) as if the exchange rate falls then that country's exports will be cheaper to foreign consumers (1).</p>	2	<p>Up to two marks.</p> <p>One mark for a correct identification of a factor (example opposite) plus a further mark for the explanation.</p> <p>One mark for identification of a factor or for some understanding shown.</p> <p>The number of ticks must equal the marks awarded.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	<p>Evaluate the importance to an economy of the government investing more in education and training.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Increased productivity • Increased international competitiveness • Faster rate of innovation and technological progress • Costs of investment in human capital to the public sector • The creation of positive externalities from a better educated workforce • The reduction in the level of information failure • The contribution to the supply side of the economy and associated long run economic growth • The contribution towards lower levels of poverty <p>Possible evaluative points when considering the importance of investing more in education and training (for Level 4) might include:</p> <ul style="list-style-type: none"> • The need to remain internationally competitive • The need to raise productivity levels and so living standards (e.g. real wages) • The importance of female education in many developing countries • The need for developing countries to close the skills gap relative to developed countries • Alternative supply-side policies with a shorter time lag, e.g. investment in capital <p>Exemplar response:</p>	8	<p>Level 4 Candidate evaluates the importance of investing more in education and training.</p> <p>Level 3 Candidate analyses the importance of investing more in education and training.</p> <p>Level 2 Candidate explains or describes how education and training can affect an economy, rather than analysing the importance of them to an economy.</p> <p>Level 1 Candidate identifies or states what education and training is.</p> <p>OR</p> <p>Candidate identifies or states some effects of education and training.</p>	<p>Level 4 (7–8 marks) Candidate evaluates the impact of more investment & training by reaching a reasoned conclusion as to whether it is important or not to an economy.</p> <p>Level 3 (5–6 marks) Candidate analyses the impact of investment & training and how it could affect an economy.</p> <p>Level 2 (3–4 marks) Candidate demonstrates an understanding of education and training and how it can affect an economy.</p> <p>Level 1 (1–2 marks) Candidate demonstrates some knowledge of education and training OR the effects of education and training.</p>

		<p>Investing more in education and training is an example of a supply-side policy aimed at increasing an economy's performance (L1). As such, education and training can raise standards of literacy and numeracy and workers can become more efficient (L2).</p> <p>By increasing productivity and efficiency within an economy, education and training can increase an economy's international competitiveness and increase the rate of economic growth achieved through innovation and technological progress. This can lead to improvements in export sales and the balance of payments, as well as increases in levels of employment and wages, so leading to higher living standards (L3).</p> <p>Overall, more investment in education and training is important to an economy because it is essential to remain competitive. Despite the significant cost to governments of providing more education and training, without this form of investment in human capital countries would find their economic performance worsening with the resulting effects of worsening trade deficits, rising unemployment, increased public sector debt levels and falling standards of living (L4).</p>			
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6	(a)		Meaning	Tick (√)	1	For one mark. If more than one box is ticked, then accept the first only.
			A multinational company has its headquarters in one country and only produces and sells its products in that one country			
			A multinational company has its headquarters in one country and produces and sells its products in more than one country	√		

			A multinational company has its headquarters in one country and only invests in its production in that one country			
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Question	Answer	Marks	Guidance	
			Content	Levels of response
(b)	<p>'The costs of multinational companies to host countries exceed the benefits.' Do you agree with this statement? Give reasons for your answer.</p> <p>Costs:</p> <ul style="list-style-type: none"> • Accusations of use of child labour • Cause or add to pollution and use of non-renewable resources • Threat to existing local firms • Labour may be exploited and taken advantage of • Tax avoidance • Payment of bribes and corruption of local officials • Profits are exported to home country • May influence actions of government <p>Benefits:</p> <ul style="list-style-type: none"> • Provide training for workforce • Source of investment & foreign currency • Economies of scale can reduce prices to host-country consumers • Profits can be spent on research & development • Bring new technology • Establishment of minimum standards • Provide employment • Develop strengths of country • Bring expertise – new skills • Develop infrastructure/transport <p>Exemplar response:</p> <p>MNCs bring benefits such as more jobs to host countries, as well as costs such as repatriation of their profits (L1). Such employment allows some workers in developing countries to work for the first time and the lost profits affect the government's</p>	8	<p>Level 4 At the top of the level, a candidate will evaluate the costs and benefits of MNCs on host countries. Answers which only evaluate either costs or benefits or evaluate only one cost and/or one benefit cannot gain more than 7 marks.</p> <p>Level 3 At the top of the level, a candidate will analyse the costs and benefits of MNCs on host countries. Answers which only analyse either costs or benefits or analyse only one cost and/or one benefit cannot gain more than 5 marks.</p> <p>Level 2 Candidate explains or describes how MNCs can affect host countries, rather than analysing the costs and/or benefits of them to a</p>	<p>Level 4 (7–8 marks) Candidate evaluates the impact of MNCs on host countries by reaching a reasoned conclusion.</p> <p>8 marks – costs and benefits 7 marks – costs or benefits or one cost and/or one benefit</p> <p>Level 3 (5–6 marks) Candidate analyses the costs and/or benefits of MNCs on host countries.</p> <p>6 marks – costs and benefits 5 marks – costs or benefits or one cost and/or one benefit</p> <p>Level 2 (3–4 marks) Candidate demonstrates an understanding of costs and/or benefits of MNCs on host</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>budget balance (L2).</p> <p>By creating employment and bringing investment in capital and new technology, MNCs can boost both the demand and the supply sides of the economy leading to increased aggregate demand and expenditure, as well as increased output and productivity (L3). However, the loss of profits back to the MNC home countries can mean that host country governments lose tax receipts and so might need to reduce public expenditure or try to borrow to finance their spending with the associated increase in the budget deficit and increased borrowing costs (L3).</p> <p>The overall judgement as to whether the costs of MNCs exceed the benefits for host countries is likely to depend upon the relative state of development of the host country and the size of the MNC. Some MNCs that invest in developing countries are larger in size than the host country's economy and, as a result, the host developing country is likely to be in a very weak position as regards trying to impose any constraints upon the actions of the MNC. And while the MNC might be accused of exploiting the host country, some would argue that any additional employment, foreign currency and investment is better than none at all. Also, many MNCs have come under increasing pressure from their domestic stakeholders such as shareholders and their customers to improve their record and to be more ethical in their dealings with host countries (L4).</p>		<p>host country.</p> <p>Level 1 Candidate identifies or states costs and/or benefits of MNCs.</p> <p>OR</p> <p>Candidate identifies or states some features of MNCs.</p> <p>N.B. Candidates who simply repeat the information from Fig. 13 in the stimulus material can only be awarded a mark in Level 1.</p>	<p>countries.</p> <p>Level 1 (1–2 marks) Candidate demonstrates some knowledge of MNCs or of costs and/or benefits of MNCs.</p>

Question	Answer	Marks	Guidance	
7			Using the information in the case study and your own knowledge of economics, evaluate the extent to which a fall in China's rate of economic growth will affect the economies of other countries.	
			Content	Levels of response
	<p>Indicative content:</p> <p>A fall in China's rate of economic growth is likely to lead to:</p> <ul style="list-style-type: none"> • Effects on global interdependence • Falling commodity prices • Lower export sales by foreign firms in China with associated reduced export volumes and revenues and employment consequences • Falling exchange rates for countries dependent on primary commodity exports • Deterioration in balance of payments for primary exporting countries • Lower inflation in countries that import primary commodities • Supply-side boost to economies of importing countries due to lower import costs • Increased focus by Chinese firms on foreign markets due to worsening of China's domestic market • Opportunities for other countries (and their MNCs) to fill the gaps that China might leave, e.g. FDI in developing countries as China's FDI falls due to falling demand for primary commodities 	12	<p>Possible examples of supportive evidence from the case study to achieve marks in Level 3 and Level 4 include:</p> <p>Use of Fig. 1 to show how slower economic growth in China might lead to China falling from the top of the world's 10 largest economies.</p> <p>Use of Figs. 2, 3, 4, 5 and/or 6 to show how the importance of China to the imports and/or exports of some countries might change.</p> <p>Use of Fig. 7 to explain how Zambia and other primary commodity exporters might experience a market surplus for their products due to falling demand from China.</p> <p>Use of Fig. 8 to explain how China's trading partners might be affected in terms of lower commodity prices, lost export volume and revenue, falling demand for business services e.g. transport, lost employment, falling currency values, etc.</p> <p>Use of Fig. 9 to explain how China's trading partners might be affected in terms of lower commodity prices.</p> <p>Use of Fig. 12 to explain how flows of FDI into and out of China might be affected by China's slower rate of economic growth.</p>	<p>To achieve Levels 3 and 4 candidates must use some supportive evidence from the data</p> <p>Level 4 (10 – 12 marks) Candidate evaluates the extent to which a fall in China's rate of economic growth will affect the economies of other countries – complex issues are discussed reaching a reasoned conclusion with clear reference to data in the stimulus material. <i>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs are consistently relevant, and have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with</i></p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>Possible evaluative points to demonstrate the extent to which a fall in China's rate of economic growth will affect the economies of other countries (for Level 4) might include:</p> <ul style="list-style-type: none"> • The importance of China as a source of demand/market for a country's exports • The importance of China as a source of supply for a country's imports • The extent to which the state of the Chinese economy impacts upon global prices • The extent to which countries are able to diversify away from China as a major customer and/or supplier • The relative importance of key macro-economic indicators in other countries, e.g. lower inflation versus balance of payments problems • The importance of Chinese FDI to other countries. <p>Exemplar response:</p> <p>A fall in the rate of China's economic growth might be caused by lower investment and might cause higher unemployment in China (L1).</p> <p>This will cause China to buy less commodities on the world market and so will have a negative impact upon the</p>		<p>Use of Fig. 13 to link how lower rates of Chinese FDI into host countries might affect the impact of and the balance of the costs and benefits of Chinese MNCs on host countries.</p>	<p><i>reference to the question.</i></p> <p>Level 3 (7 – 9 marks) Candidate analyses how a fall in China's rate of economic growth will affect the economies of other countries. Answers must include reference to the stimulus material.</p> <p><i>There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive of obscure meaning. Knowledge and understanding has been demonstrated and applied/understood.</i></p> <p>Level 2 (4 – 6 marks) Candidate demonstrates an understanding of a lower rate of Chinese economic growth and how it might affect other countries. <i>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar, of which some may be noticeable and intrusive. A basic knowledge and</i></p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>economic performance of other countries such as Zambia (L2).</p> <p>As Zambia exports 85% of its copper (see Fig. 8) and as China was the second most important market for its exports in 2014 (see Fig. 6), this is bound to cause an impact such as falling prices of copper (see Fig. 9), falling revenues from copper exports in Zambia and so a fall in demand for the Zambian currency and an associated fall in the Zambian currency (see Fig. 8) (L3).</p> <p>However, the falling global prices of commodities (see Fig. 9) will also benefit importing countries such as the UK where inflation will be reduced due to falling costs of imported primary commodities (L3).</p> <p>In conclusion, the overall impact of a fall in China's rate of economic growth is likely to depend upon whether countries are major exporters to China or not and also the likely extent of the continued downward pressure upon global commodity prices caused by China's falling demand.</p> <p>Therefore, countries such as South Korea and Japan (see Fig. 3), and Zambia and Australia (see Fig. 8) will lose out on the exporting sides of their</p>			<p><i>understanding has been demonstrated.</i></p> <p>Level 1 (1 – 3 marks) Candidate has some knowledge of falling economic growth and/or why it might fall or the effects of falling growth or the links between the Chinese economy and the rest of the world, but the answer is poorly expressed. <i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.</i></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			economies. This is of particular importance for countries such as Zambia, which is highly dependent on the export of one product to one country, namely copper to China. While other countries might have a more balanced list of export customers and, as a result, the effects of China's declining rate of economic growth is not felt so seriously. In addition, some countries with very limited ties to China are likely to gain from lower prices of commodities such as crude oil and the associated benefits for reduced inflation and lower costs of production (L4).			

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