

# **Mark Scheme for June 2013**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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

Annotation	Meaning
	Tick
	Cross
	Unclear
	Benefit of Doubt
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Own figure rule
	Repeat
	Noted but no credit given
	Too Vague
	Omission Mark

Question		Answer	Marks	Guidance
1	(a)	Land and Population (Labour)	2	If more than one box is ticked, accept first two only One mark for each correct identification, up to a maximum of two identifications
	(b) (i)	China	1	for one mark
	(ii)	India	1	for one mark
	(iii)	China	1	for one mark
2	(a)	India	1	for one mark
	(b)	UK has an income of \$36,590 and China an income of \$7,570 (one mark) <b>OR</b> Merely stating that the UK has a higher income (one mark)  For stating that the UK's average income is more than (accept approx figure) five times greater than China's (two marks)	2	Two marks for stating that the UK's average income is higher than that of China, but must be supported with evidence re approximately five times higher.  A calculation of \$29,020 = 1 mark, a comment of which country is higher/lower for the second e.g. the UK has a \$29,020 (1) higher income per capita (1)

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	<p>Absolute poverty is where someone has insufficient to live on eg food, clothing and shelter</p> <p>Relative poverty is income in relation to the average income for that country. It is defined as an income of less than 60% of the median.</p>	4	<p><b>L2</b> Absolute poverty is where someone has insufficient income to buy the basic necessities of life eg food, clothing, shelter.</p> <p>Relative poverty includes those who have an income that is considerably lower than the average, ie 60% or less of the average/median income</p> <p><b>L1</b> Absolute poverty is where a person cannot afford the basics eg food, heating etc</p> <p>Relative poverty includes those who have an income considerably less than the average.</p> <p>A clear explanation of absolute (to include a reasonable benchmark figure e.g. \$1.25 per day) or relative poverty may be awarded 2 marks.</p> <p><b>Benchmark only e.g. \$1.25 per day = 1 mark</b></p>	<p><b>Level 2 (3–4 marks)</b> Candidate explains absolute poverty and relative poverty</p> <p><b>Level 1 (1–2 marks)</b> Candidate demonstrates some knowledge of absolute and/or relative poverty as a measure of poverty</p>

Question		Answer	Marks	Guidance
3	(a)	Any reasonable answer either from the data or any other eg Sony	1	For one mark
	(b)	Headquarters in one country, but operates in a number of other countries (two marks)	2	Up to two marks  Award one mark for idea of operations in a number of countries or operates all over the world. e.g. a company that sells a product or service in more than one country = 1 or factories all over the world = 1  No additional mark for example

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	<p><b>Advantages</b> may include: Provide jobs Develop strengths of country Bring expertise – new skills New Technology Develop infrastructure/transport</p> <p><b>Disadvantages</b> may include: Export their profits Take advantage of labour Add to pollution Influence Government</p>	6	<p><b>Level 3</b> An MNC may bring a range of advantages to a developing country such as bringing jobs and providing training and education. This helps develop the local workforce. They may also help develop the local infrastructure which helps future development in the country. However, they often take their profits out of the country rather than invest them back in the country. They may also exploit local labour with long hours and poor pay. However, many developing countries have benefited from the expertise and new skills that MNCs have introduced.</p> <p><b>Level 2</b> An MNC may bring a range of advantages to a developing country such as bringing jobs, which leads to lower unemployment and increased consumer spending. They may also help develop the local infrastructure, which helps to improve the ease of transport and distribution. They may often exploit local labour with long hours and poor pay, which could lead to industrial unrest. They may also cause pollution in the country, which lowers local standards of living.</p> <p><b>Level 1</b> MNCs produce and sell in lots of countries around the world. They may bring jobs to a country and cheaper goods to buy. They may often exploit local labour with long hours and poor pay. They may also cause pollution in the country.</p>	<p><b>Level 3 (5–6 marks)</b> Candidate evaluates advantages and disadvantages of MNCs to developing countries with a justified conclusion</p> <p><b>Level 2 (3–4 marks)</b> Candidate analyses advantages and/or disadvantages to developing countries</p> <p><b>Level 1 (1–2 marks)</b> Candidate demonstrates some limited knowledge and application of MNCs, but may not relate to developing countries.</p>

Question		Answer	Marks	Guidance
4	(a)	6%	1	% sign must be included for one mark
	(b)	<p>1990-2016 China increased its share of world output from 4% to 18% (one mark) or any selected time period Developed countries' share of world output has decreased from 70% to 45% (one mark)</p> <p>Likely impacts:</p> <ul style="list-style-type: none"> <li>• Exports from China will increase</li> <li>• Imports into China may increase</li> <li>• China's balance of payments improves</li> <li>• Potential balance of payments problems for developed economies ie current account deficits</li> <li>• As China's output increases world trade should increase</li> </ul>	4	<p><b>No marks for simply stating that China's share of world output has grown.</b></p> <p>May award one mark for increasing output would result in more exports.</p> <p>One mark for stating that as China's share has increased so the share of developed countries has decreased</p> <p><b>Or</b></p> <p>Up to two marks for use of data only to show that China's share has increased while developed countries' share has decreased</p> <p>Up to four marks for identifying likely impacts One mark for identifying impact plus one further mark for explanation</p> <p>Up to a maximum of four marks overall</p>
	(c)	<p>'No' (one mark) World trade grew in 2009 (one mark) by 3% (one mark) 2009 grew (one mark) but at a slower rate (one mark) Identification of correct values for 2008 &amp; 2009 (one mark)</p>	3	Students gain max marks for showing that trade grew ie recognise that 2009 was a period of growth but slower than 2008

Question		Answer	Marks	Guidance
5	(a)	Imports are goods and/or services provided by a company based overseas to residents of the EU (one mark) <b>OR</b> They go to the residents of the EU (one mark).  <b>AND</b> Money flowing out (one mark)	2	(One mark) for provided by overseas company (One mark) money flowing out No marks for examples <b><i>For two marks, answer must have reference to the EU.</i></b>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>A tariff is a tax that raises the price of imported bananas from South American countries, thus reducing the quantity imported.</p> <p>This favours/protects former EU colonies that export bananas to the EU but are not subject to the tariff</p> <p>Award other possible reasons e.g.:</p> <ul style="list-style-type: none"> <li>• Aid development in former EU colonies</li> <li>• Protectionism</li> </ul>	4	<p>Exemplar responses:</p> <p><b>Level 2</b> For political or historic reasons, a tariff is placed on imported bananas from South America. This makes them more expensive, giving a price advantage to those imported from the former EU colonies.</p> <p><b>Level 1</b> A tariff is a tax that increases the price of a good and reduces the amount imported.</p>	<p><b>Level 2 (3 – 4 marks)</b> For three marks a relevant reason must be given plus impact on quantity and/or price.</p> <p>For four marks a relevant reason must be <b>explained</b> using the data plus impact on quantity and/or price.</p> <p><b>Level 1 (1 – 2 marks)</b> Candidate recognises that a tariff is a tax (1) raises price (1) and so reduces quantity imported/demanded (1) 2 marks max</p> <p><b>Or</b></p> <p>Candidate identifies a possible reason(s) for imposing tariffs, eg to prevent dumping (1) plus explanation (1)</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	<p>Better answers may focus on elasticity of demand, ie if elasticity is relatively inelastic then the decrease in the tariff will have less of an impact than if demand was relatively elastic</p> <p>Candidates may also make reference to quality, customer loyalty, etc</p> <p>Price elasticity of supply is a valid line of argument.</p>	6	<p>Exemplar responses:</p> <p><b>Level 3</b> A reduction in the tariff makes the price of bananas cheaper. Elasticity of demand measures how demand changes if there is a change in price. If demand is relatively elastic, a small fall in price may lead to a bigger percentage increase in demand. This means that the quantity of bananas imported into the EU from South America will increase more than if demand is inelastic.</p> <p><b>Level 2</b> If the tariff is reduced, the price of bananas will fall. This means that the EU will buy more bananas from South America rather than Africa.</p> <p><b>Level 1</b> A fall in the tariff leads to a fall in price, so more bananas will be bought.</p>	<p><b>Level 3 (5–6 marks)</b> The candidate evaluates, eg using elasticity of demand (either elastic or inelastic) with respect to the reduction of the tariff. However, other evaluative comments should be rewarded</p> <p><b>Level 2 (3–4 marks)</b> Candidate analyses factors that can influence the level of demand for bananas <b>from Central and South America.</b></p> <p><b>AND/OR</b></p> <p>May have use of appropriate and correct diagram.</p> <p><b>Level 1 (1–2 marks)</b> Candidate recognises that a reduced tariff lowers price and/or increases demand or introduces the idea of quality/loyalty or any limiting factor such as difficult to break existing contracts.</p>

Question		Answer	Marks	Guidance
6	(a)	<p>When the UK was in recession in 2008 and 2009, India was still achieving growth in excess of 6% per annum (one mark)</p> <p>India experienced more stable economic growth over the period compared to the UK (one mark)</p> <p>India ranged from 6.5% to 10.3% while the UK ranged from 1.2% to -5% (one mark).</p> <p>Both India and the UK had a higher growth rate at the end of the period than at the beginning (one mark).</p> <p>Both countries had their lowest values in different years (one mark).</p> <p>Both countries had their highest values in the same years (one mark).</p> <p>Over the period the UK economy contracted whereas the Indian economy grew larger (one mark).</p> <p>The Indian economy never contracted over the period (one mark)</p>	4	<p>One mark for each valid comparative point made, up to a maximum of four points, but allow development marks.</p> <p>No marks for trawling/describing/quoting data yearly without comparison.</p> <p>One mark for comparing the changes in growth rate changes year by year.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<ul style="list-style-type: none"> <li>Investment includes spending on capital goods such as machinery and equipment</li> <li>Economic growth is usually measured in terms of an increase in real gross domestic product year on year</li> <li>Investment leads to increased productive capacity for a country</li> <li>Other types of investment include human capital, FDI</li> <li>There is a direct link with investment, productivity and competitiveness</li> <li>Monetary and/or fiscal policy impact on economic growth</li> <li>Other supply side factors and policies such as education, training, deregulation and privatisation.</li> </ul>	8	<p>Exemplar responses:</p> <p><b>Level 4</b> Capital investment is the spending, mainly by firms, on building, machinery and equipment, etc. This could lead to an improvement in economic growth. Economic growth is an increase in real GDP and may lead to reduced unemployment and improved living standards which are vital to developing countries. Capital investment leads to an increase in productive capacity meaning the country can produce more. It may also include an investment in education and training so that the country may make the best possible use of its factor of production labour – so important to a developing country. It must be remembered that investment alone is not the only driver of economic growth. A developing country must also consider its fiscal and monetary policies as well as policies relating to the supply side of the economy.</p> <p><b>Level 3</b> Capital investment is the spending, by firms, on buildings, machinery and equipment. Capital investment leads to an increase in productive capacity meaning the country can produce more. It may also include an investment in its workers in terms of education and training so that they become more efficient and so productivity can improve. If there is increased investment in a developing country, they may become competitive producing goods that other countries want, and so creating jobs.</p>	<p><b>Level 4 (7– 8 marks)</b> Candidate evaluates the impact of investment reaching a reasoned conclusion which may include reference to fiscal/monetary policy</p> <p><b>Level 3 (5–6 marks)</b> The candidate analyses benefit(s) of investment with respect to economic growth/development.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p><b>Level 2</b> Investment is firms buying more machinery and equipment. This is important for a developing country because it means they will be able to produce more and create jobs.</p> <p><b>Level 1</b> Investment is firms buying more equipment and machinery including robots, etc.</p>	<p><b>Level 2 (3–4 marks)</b> Candidate explains benefit(s) of capital investment.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows knowledge of investment in terms of spending on capital equipment <b>or</b> of economic growth in terms of rising real GDP/output.</p> <p><b>Or</b></p> <p>Candidate identifies a benefit(s) of capital investment, eg creates employment.</p> <p><b>OR</b></p> <p>Some knowledge of different causes of growth.</p>

Question		Answer	Marks	Guidance
7	(a)	$\pounds 5129\text{m} - \pounds 22840\text{m} = -\pounds 17711\text{m}$ deficit	3	One mark for correct method One mark for correct answer One mark for – or deficit Three marks for correct answer, including deficit if working not shown.  Maximum of two marks if £ symbol and/or millions/m is/are missing

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<ul style="list-style-type: none"> <li>• A strong £ makes our exports more expensive and therefore less competitive; the £ needs to be weaker</li> <li>• A weak £ may make imports (raw materials) more expensive and may harm our competitive situation</li> <li>• The importance of productivity is recognised in reducing costs and being more competitive than other countries</li> <li>• Low stable inflation helps keep costs down and makes our goods more competitive with respect to international price competition</li> <li>• Other factors may include innovation, quality, delivery dates, etc.</li> </ul> <p><b>NB Low inflation Level 1 only, but do not reward results in lower prices of UK goods.</b></p>	8	<p>Exemplar responses:</p> <p><b>Level 4</b> The strength of a currency is important when selling to other countries. If the £ is too strong, it makes exports expensive and less competitive. However, if the £ is too weak it could make imported goods more expensive and so lead to inflation. If inflation is controlled, it means that prices are stable and, as such, we may be able to compete with other countries hoping to sell to India and Brazil. It is also important that we keep our production costs down by improving productivity through investment in the latest capital equipment and investing in training for our workers. All these things are important, but we also have to make quality goods at a competitive price and meet delivery dates.</p> <p><b>Level 3</b> In order to compete in world markets, we have to have low stable prices ie low inflation. If we have inflation higher than other countries, our prices are rising faster and we will not get orders. The value of the £ also needs to be right. If the £ is too strong, it makes our goods more expensive and therefore harder to sell overseas. Our production costs also need to be low so that we can compete with other countries.</p>	<p><b>Level 4 (7–8 marks)</b> Candidate evaluates the impact of different factors reaching a reasoned conclusion</p> <p><b>Level 3 (5–6 marks)</b> The candidate analyses different factors that make a country more competitive. Level 3 can be achieved by comparing/contrasting the UK with Brazil/India/competitors e.g. inflation rate lower in UK which makes UK exports relatively cheaper than goods produced by India/Brazil/competing countries.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p><b>Level 2</b> If we are going to sell to countries such as India and Brazil, we need to offer good prices. This means that our factories need to be efficient to keep down costs of production. We also need to sell goods of a high quality.</p> <p><b>Level 1</b> To sell to India and Brazil, we need to have cheaper prices so that we can compete with other countries also trying to sell to them.</p>	<p><b>OR</b></p> <p>Additional impacts of policy such as potential job losses due to increased mechanisation.</p> <p><b>Level 2 (3–4 marks)</b> Candidate shows the importance of being competitive and applies one or two ideas</p> <p><b>Level 1 (1–2 marks)</b> Candidate exhibits some limited knowledge about any relevant factor</p>

Question		Answer	Marks	Guidance
8	(a)	<p>Relates increase in bank rate to increase in inflation (one mark)</p> <p><b>+ Explanation mark</b></p> <p>Relates higher Bank Rate to reducing demand/spending so inflation may be contained (one mark)</p> <p>Relates higher Bank Rate to raising exchange rate to reduce import prices so inflation may be contained (one mark)</p>	2	<p>One mark for correct identification of high inflation plus a further mark for explanation.</p> <p><b>N.B. Do not reward answers relating to the exchange rate rising if there is no reference to rising inflation</b></p>
	(b)	<p>Increase in interest rate may cause increase in demand for currency/decrease in supply of – (one mark only)</p> <p>Increase in interest rate may cause increase in value of currency/exchange rate – (one mark)</p> <p>Increase in interest rate may cause increase in demand for/decrease in supply of currency and so raising value of currency/exchange rate – (two marks)</p>	2	<p>Up to two marks if candidate correctly relates increase in interest rates to increase in value of currency.</p> <p><b>N.B. No marks if candidate relates decrease in interest rates to decrease in value of currency.</b></p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
9		<p>Answers may include:</p> <p><b>Benefits</b>            Economic growth – improved living standards – increasing real incomes            Employment /reduce unemployment            Foreign Direct Investment – bringing skills etc            Wide range of goods available to consumers – improved consumer choice            Economies of scale for companies            Better political standing in modern world</p> <p><b>Costs</b>            Inflation...Rising interest rates            Increased pollution, congestion etc</p> <p><b>Nb do not reward MNC based points beyond Level 2</b></p>	12	<p>Exemplar responses:</p> <p><b>Level 4</b>            International trade has brought strong economic growth to China (reference may be made to Fig. 1 or 7). This has greatly increased living standards through increased employment opportunities and reduced unemployment (reference may be made to Fig. 12).            China has enjoyed considerable investment, not only from FDI (reference may be made to Fig. 8). FDI has also brought the added advantage of education and training for the workers, improving and developing their skills. This has increased and sustained the high levels of economic growth and aided export-led growth. However, China is suffering from high inflation reaching 5% in 2011 (Fig. 12). High inflation has increased central bank interest rates and developing countries such as China now find money considerably more expensive to borrow than the UK or Euro area countries. China has certainly benefited from international trade and now enjoys a highly skilled workforce with improving living standards. The people of China enjoy a wide range of goods to buy and a strong political standing in the world. However, the Chinese economy must be well-managed to avoid growing too quickly.</p>	<p><b>To achieve Levels 3 and 4 candidates must use some supportive evidence from the data</b></p> <p><b>Level 4 (10–12 marks)</b>            Candidate evaluates the impact of international trade on developing economies such as China (both benefits and costs) reaching a reasoned conclusion. <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 structure, 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 reference to the question.</i></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p><b>Level 3</b> International trade has brought strong economic growth to China (reference may be made to Fig. 1 or 7). This has greatly increased living standards through increased employment (reference may be made to Fig. 12). China has enjoyed considerable investment, not only from its own capital investment, but also from FDI (reference may be made to Fig. 8). FDI has also brought the added advantage of education and training for the workers improving and developing their skills. However, China is suffering from high inflation, reaching 5% in 2011 (Fig. 12). High inflation has increased central bank interest rates and developing countries such as China now find money expensive to borrow. China has certainly benefited from international trade.</p> <p><b>Level 2</b> China now enjoys good economic growth. It has more industries and more jobs and sells to a lot of countries around the world. The people of China are now richer and can buy lots of different goods. Chinese companies are very big and so can have economies of scale.</p>	<p><b>Level 3 (7–9 marks)</b> The candidate analyses a range of factors, including benefits and costs to developing countries such as China.</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><b>Level 2 (4–6 marks)</b> Candidate demonstrates an understanding of some of the advantages of international trade.</p> <p><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 understanding has been demonstrated.</i></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p><b>Level 1</b> International trade has made China richer. They have lots of economic growth. They make lots of things and sell to other countries.</p>	<p><b>Level 1 (1–3 marks)</b> Candidate has some knowledge of foreign trade, 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>

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