Mark Scheme (Results)

Summer 2026

Pearson Edexcel International Advanced Level in Economics
WEC14/01
Unit 4: Developments in the Global Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** **A** is incorrect because the World Bank does not lend money to cut taxes **B** is incorrect because the World Bank does not lend money for this reason **D** is incorrect because the World Bank does not lend money for this reason	**(1)**
2	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** **B** is incorrect because the rise in the exchange rate will cause the price of exports to rise which will shift the AD curve to the left **C** is incorrect because the rise in the exchange rate will cause the price of imports to fall which will reduce the costs of production for eurozone businesses causing the SRAS curve to shift to the right **D** is incorrect because the rise in the exchange rate will cause the AD curve to shift to the left and SRAS curve to shift to the right	**(1)**
3	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** **A** is incorrect because FDI will not have a direct impact on the current account **C** is incorrect because FDI is likely to increase demand for its currency **D** is incorrect because increased FDI is likely to increase employment	**(1)**
4	**QS5:** Calculate and interpret index numbers **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** **A** is incorrect as this is the nominal change in export values between 2003 and 2023 **B** is incorrect because this is the nominal GDP for 2023 **C** is incorrect as this is the index number for 2013	**(1)**

5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** **A** is incorrect because this is likely to increase the Gini coefficient **B** is incorrect because this is likely to increase the Gini coefficient **C** is incorrect because this is likely to increase the Gini coefficient	**(1)**
6	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** **A** is incorrect as costs for businesses are likely to fall **B** is incorrect as revenues from tariffs are likely to decrease **D** is incorrect as FDI is likely to rise	**(1)**

Section B

Question	With reference to Figure 1, assuming that there is no growth in its population, calculate the forecast nominal GDP of Oman in 2025. You are advised to show your working. **Answer**	Mark
7(a)	**Application 2** **Quantitative skills assessed:** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculation: Nominal GDP in 2024: 20 238 x 5.3m = \$107 261.4m **(1)** Nominal GDP in 2025: 107 261 400 000 x 1.017 = 109 084 843 800 or 107 261.4m x 1.7% = \$109 084.8m **(1)** **NB: Accept answers between \$109 000m and 109 100m** **NB: Accept answers between \$109bn and \$109.1bn** **NB: Award 2 marks for correct answer (\$109 084 843 800m) regardless of working** **NB: If m or bn is missing from a correct answer, award 1 mark**	**(2)**

Question	With reference to the third paragraph of Extract A, explain the difference between the balance of trade and the current account balance. **Answer**	Mark
7(b)	**Knowledge 2 Application 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge:** Up to 2 marks for an understanding of the balance of trade and current account balance e.g.: • Balance of trade is the value of exports – value of imports/X-M **(1)** • Current account balance is the trade balance + primary income + secondary income **(1)** **Application:** Up to 2 marks for application to Extract A **(1+1)** e.g.: • The balance of trade surplus of \$19.1 billion/18% of GDP/ exports of oil products increased by 186% **(1)** • The current account surplus was 2.4% of GDP in 2024/less than 1% of GDP in 2025 **(1)**	**(4)**

<table>
<tr><th>Question</th><th>With reference to Extract A and your own knowledge, analyse two likely benefits of the reduction in Oman's national debt.
Answer</th><th></th></tr>
<tr><td>7(c)</td><td>Knowledge 2 Application 2 Analysis 2

Quantitative skills assessed:
QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge and analysis
Up to 2 knowledge marks for identifying two benefits and up to 2 analysis marks for linked explanations e.g.:

Improved credit rating (K) which means that the cost of borrowing in the future is likely to be lower/countries more willing to lend to Oman (AN)
Fall in the cost of servicing debt (K) which will mean that the government can spend this money on healthcare, education or infrastructure (AN)
The economy will be more resilient to future shocks (K) decreasing any possible negative impact on GDP/employment (AN)
More opportunities for future spending increases (K) during a recession/economic downturn (AN)

Application
Up to 2 marks for reference to Extract A e.g.:

In 2024 government debt was 34% of GDP (1) compared with 68% of GDP in 2020 (1)/fallen by 34 percentage points (2)
Decreased spending on servicing debt by 12%/$2 388m (1)
An example of an economic shock relevant to Oman e.g. falling oil/gas prices (1)
</td><td>(6)</td></tr>
</table>

Question	With reference to Figure 1, Extract A and your own knowledge, examine **two** costs of falling oil and gas prices for the economy of Oman. **Answer**	Mark
7(d)	**Knowledge 2 Application 2 Analysis 2 Evaluation 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 knowledge marks for identifying two effects and up to 2 analysis marks for linked explanations e.g.: • A reduction in the balance of trade/current account of Oman **(K)** which will lead to a decrease in the rate of economic growth **(AN)** • A reduction in government/tax revenue **(K)** causing an increase in the fiscal deficit **(AN)** • Reduces the profitability of Oman's oil and gas industry **(K)** which is likely to cause unemployment to rise **(AN)** • May need higher taxes on individuals and businesses **(K)** which will reduce the level of aggregate demand **(AN)** • May lead to a reduced credit rating **(K)** causing borrowing costs to rise **(AN)** • May delay investment into alternative energy sources **(K)** as the opportunity cost has been reduced **(AN)** • A decrease in the terms of trade **(K)** which may lead to a depreciation of the exchange rate **(AN)** **Application** Up to 2 marks for reference to Figure 1 and/or Extract A, e.g.: • Forecast growth of oil and gas sector in 2025: -4.4% **(1)** • Price of oil was $60 per barrel **(1)** • The current account surplus is expected to fall from 2.4% **(1)** of GDP to less than 1% of GDP in 2025 **(1)** • Taxes accounted for 68% of government revenue **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Falling fiscal surplus/rising fiscal deficit **(1)** which may increase the level of aggregate demand and increase economic growth **(1)** • Lower oil and gas prices reduce fuel bills for households **(1)** which will mean that real incomes rise, raising consumption **(1)** • Lowers the cost of production for industry **(1)** which may increase profits/reduce the rate of inflation **(1)** • Oil prices are unstable/volatile **(1)** so they may rise in the future which will benefit the economy **(1)** • As Oman's economy diversifies away from oil and gas, this will be less of a problem in the future **(1)** especially as the non-oil sector is growing by 3.9% **(1)** • Impact depends on the magnitude of the fall in oil and gas prices **(1)**. In this case the fall is quite significant **(1)**	**(8)**

Question	With reference to Extract B and your own knowledge, discuss the benefits that the introduction of income tax may have for the economy of Oman. **Indictive content**
7(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (8 marks) – indicative content** • Definition of income tax • The ruler of Oman plans to introduce an income tax rate of 5% on Omani residents who earn over $109 000 per year • Income tax would reduce Oman's dependence on oil and gas revenues • Taxation forces governments to use public funds more efficiently. This may make public services more effective which is essential for economic development • Income tax may help reduce the fiscal deficit and the national debt. This can improve the credit rating and attract foreign investment, which supports job creation and productivity growth • With increased revenue from income tax, the government can invest more in essential sectors like healthcare, education, tourism and infrastructure. Better public services improve human capital and productivity leading to an increase in the productive capacity of the economy • Introducing income tax, particularly a progressive tax, can ensure higher earners contribute more. This may reduce income inequality improving economic development • The introduction of income taxes is a deflationary fiscal policy which will reduce AD and put downward pressure on the rate of inflation

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

<table>
<tr><td></td><td colspan="2">Evaluation (6 marks) – indicative content
Only 1% of Oman’s 5 million inhabitants are expected to pay the tax
Income tax will not be introduced until 2028
Income tax would reduce the take-home pay of Omani residents. This may lower aggregate demand which may slow down economic activity
Income tax may reduce the financial attractiveness of working in Oman for both citizens and expatriates. This might lead to a decline in the size of the labour force
There may be a decrease in labour productivity especially if high-skilled workers look for higher after-tax incomes in other countries
Reduced foreign direct investment
There may be a decrease in consumer and business confidence, leading to a decrease in the growth of the private sector growth, delaying economic diversification
Oman would need to build a tax collection infrastructure. There would be a significant initial cost in doing this which would reduce the benefits gained from higher revenue
Some residents will try to avoid/evade paying the tax reducing the yield from the tax</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–2</td><td>Identification of generic evaluative comments.
No supporting evidence/reference to context.
No evidence of a logical chain of reasoning.</td></tr>
<tr><td>Level 2</td><td>3–4</td><td>Evidence of evaluation of alternative approaches
Some supporting evidence/reference to context.
Evaluation is supported by a partially-developed chain of reasoning.</td></tr>
<tr><td>Level 3</td><td>5–6</td><td>Evaluation recognises different viewpoints and/or is critical of the evidence.
Appropriate reference to evidence/context.
Evaluation is supported by a logical chain of reasoning.</td></tr>
</table>

Section C

Question	The UK Government plans to reduce its expenditure on foreign aid from 0.5% of GNI to 0.3% of GNI from 2027. Evaluate the likely effects of a reduction in the amount of foreign aid on economic growth **and** on economic development. Refer to a developing country of your choice in your answer. **Indicative content guidance**
8	Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Definition of aid • If aid is a key source of government revenue, a decrease in aid may increase the fiscal deficit. This means a government may have to increase taxes or cut spending, which may reduce the level of aggregate demand and reduce economic growth • A developing country might have become dependent on aid for key sectors. A decrease in aid might leave these sectors underfunded and therefore increase the savings gap. As a result, the rate of economic growth may fall • Absolute poverty may increase as aid often targets the poorest and most vulnerable, leading to lower economic development • A reduction in aid may lead to an increase in income inequality so having a negative effect on economic development • A reduction in aid may affect current and capital spending on education, healthcare, food security and infrastructure. With lower aid, a government may struggle to maintain or expand these services, slowing down economic development • A reduction in aid may lead to poorer health indicators (e.g., higher infant mortality) and lower literacy or school enrolment rates reducing a country's HDI • A reduction in aid may worsen the financial/capital account on the balance of payments, making it harder to fund a current account deficit. This may have negative effects on economic growth and on economic development • A reduction in aid is likely to increase the savings gap. In the Harrod-Domar model, the funds available for investment will decrease so there will be slower growth in a county's capital stock. This will cause a slowdown in the rate of economic growth **NB: Candidates may discuss the negative effects as KAA and positive effects as EV, or vice-versa** **NB: Award a maximum of L3 (9 marks) for a response that does not refer to a named developing country** **NB: Award a maximum of L3 (9 marks) for a response that does not refer to both economic growth and economic development**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Magnitude of reduction: from 0.5% to 0.3% is a significant fall — a 40% drop — so effects may be large • Other countries may fill the gap in aid, so developing countries may not be impacted • Aid dependency: some countries rely more heavily on aid than others, so the reduction may be more significant • Timing and implementation: the cuts are not happening until 2027 so there may be a policy change in the meantime by the UK government • Was the aid given being efficiently used by the country? if not, then the impact will be limited • Could a donor country provide more targeted aid that may be a better use of funds? • The impact may be insignificant if much aid is lost through corruption • Aid may hinder economic development by encouraging producers to remain in their current occupations e.g. preventing movement from primary to secondary sectors

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Between October 2022 and June 2025, the euro appreciated by approximately 20% against the US dollar. Evaluate the causes of an appreciation of a currency. Refer to a country of your choice in your answer. **Indicative content guidance**
9	Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Definition of an appreciation of a currency • Interest rate differentials: higher relative interest rates would attract hot money inflows. Investors would therefore move capital to where there are higher interest rates to gain higher returns, increasing demand for that currency • A rising demand for exports of country A would increase the demand for that currency as foreign buyers need that currency to purchase exports • Relative inflation rates: if country A has a lower inflation rate than country B, the real value of the currency of country A is preserved better, making it more attractive. Low inflation increases purchasing power and confidence in holding the currency • Increased Foreign Direct Investment (FDI): if country A attracted more FDI during this period (e.g. technology or green energy sectors), this would increase demand for the currency of that country • Expectations of higher economic growth in country A compared to other countries would increase investor confidence and increase the demand for country A's currency • Currency speculation: if traders expect the currency of country A to strengthen, they may buy that currency in anticipation, creating a self-fulfilling appreciation • Large European multinationals (e.g. in Germany or France) repatriating foreign earnings to the eurozone can increase demand for the euro • Central bank credibility: if the central bank of country A is perceived as more credible or disciplined in managing inflation than country B, markets may favour currency A **NB: Award a maximum of L3 (9 marks) for a response that does not refer to a named country**

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	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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	Evaluation (8 marks) – indicative content • There could be falling demand for dollar instead of a rise in demand for euros: which of these is more significant? • The significance of the individual causes. Ultimately an appreciation is likely to be caused by several factors, not just one. • Timescale: the impact depends on whether the appreciation of the currency is short-term or long-term e.g. interest change may be short-term whereas sustained economic growth is likely to be more long-term • Effectiveness of interest rate policy: rising interest rates do not mean that capital will automatically flow into that country. If inflation is still high or debt levels are worrying, investors might not buy the currency regardless of rate rises • Appreciation of a currency arising from capital inflows assumes freely mobile capital. However, capital controls or regulatory barriers may limit these inflows	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	The annual rate of inflation in Türkiye increased from 53.9% in 2023 to 58.5% in 2024. **Apart from fiscal policy**, evaluate policies that can be used to reduce the rate of inflation. Refer to a country of your choice in your answer. **Indicative content**
10	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Definition of inflation • Contractionary monetary policy is used effectively by many central banks by raising interest rates. This discourages borrowing and reduces consumer and business spending. This reduces aggregate demand (AD) and puts downward pressure on demand-pull inflation • Contractionary monetary policy can also strengthen the currency, lowering import prices reducing cost-push inflation • Increase the reserve asset ratio requirements of the banking sector. This will mean that banks are less likely to lend money to the private sector for consumption and investment, reducing AD • Supply-side policies are long-term strategies with the aim to improve productivity and reduce structural inflationary pressures. These may seek to improve labour market flexibility, reducing regulation or boosting investment in technology and infrastructure. These policies help to shift long-run aggregate supply (LRAS) rightward, reducing inflationary pressure without harming economic growth • Exchange rate policy: some countries (e.g. Japan, Switzerland) are able to manage their own currencies. A stronger currency lowers import prices and may reduce cost-push inflation. This can be achieved through interest rates, market intervention or capital controls **NB: Award a maximum of L3 (9 marks) for a response that does not refer to a country**

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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Monetary policy has 'long and variable' time lags so policy may take 12–24 months to fully affect inflation • Trade-offs: the achievement of lowering inflation may reduce economic growth and increase unemployment, especially in high-debt economies • Policy is less effective if inflation is caused by cost-push factors (e.g. recent energy shocks) • Credibility of central banks matters — inflation expectations can be self-fulfilling • Supply-side policies have very long time lags (longer than that of monetary policy) and are often costly to implement. Policies may not address short-term inflation effectively (e.g. food/energy shocks) • Exchange rate policy may harm exports and therefore economic growth • Central banks often have limited control over the exchange rate and many do not have sufficient reserves to make a lasting change to the exchange rate • The most effective policy depends on the type and cause of inflation e.g. if inflation is demand-pull, monetary/fiscal policy is more effective; if cost-push, supply-side or targeted interventions are needed • Open vs. closed economies: exchange rate policy has a more significant impact in open economies • A combination of policies may be more effective in reducing the rate of inflation then just monetary policy • In developed countries, monetary policy tends to be the primary tool due to central bank independence

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.