

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
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Pearson Edexcel Level 3 GCE

Time 2 hours

Paper reference **9EB0/03**

Economics B

Advanced
PAPER 3: The economic environment and business

You must have:
Insert (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A to E) before answering Question 1.

Write your answers in the spaces provided.

Extract A

"GDP measures what GDP is supposed to measure. But it doesn't count everything that counts."

Matthew Yglesias

(Source: adapted from <https://www.weforum.org/agenda/2015/06/a-partial-defense-of-gross-domestic-product>)

Extract B

Why is the yuan's exchange rate with the US dollar important?

The US dollar/Chinese yuan exchange rate is an indicator of relative economic strength and has a direct impact on each nation's economy by affecting the value of imports and exports. In general, a stronger exchange rate makes a country's exports more expensive and makes imports, cheaper.

A weaker yuan against the US dollar would generally make Chinese goods exported to the US cheaper, increasing demand, while making US exports to China more expensive, reducing demand. As a result the US trade deficit would likely widen. A stronger yuan against the US dollar would have the opposite effect.

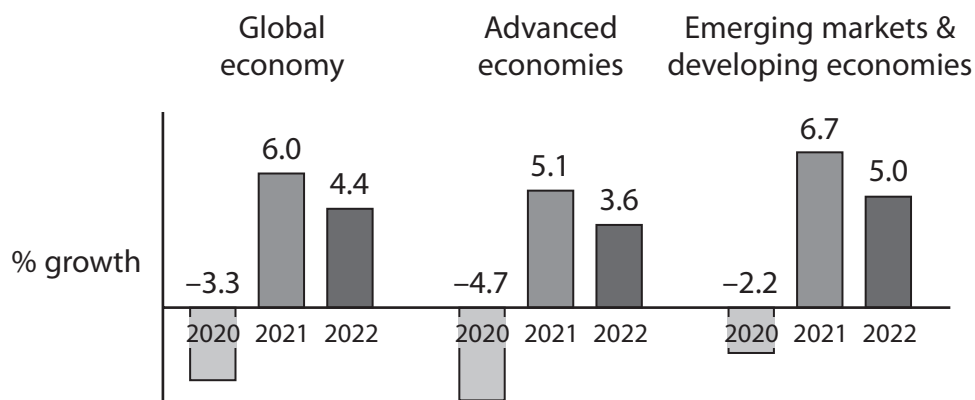
(Source: adapted from <https://www.scmp.com/economy/china-economy/article/3109340/us-dollar-yuan-exchange-rate-what-it-and-why-it-important>)

5



Extract C

Global growth to accelerate

World Economic Outlook April 2021
Growth Projections

(Source: adapted from <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>)

The International Monetary Fund (IMF) has predicted that economic growth is likely to increase throughout 2021 and reach 6%. It is then expected to fall to around 4% in 2022. A report by the global investment bank, *Credit Suisse*, says that the predicted economic growth will be led by vaccine rollouts, expansionary fiscal policies and a broadening services recovery.

5

The United States (US) is planning a \$1.9tn borrowing and spending fiscal policy to help the economy recover and create many new jobs. However, *Credit Suisse* warns that the risk of inflation is increasing and that the Federal Reserve may have to increase interest rates in 2023. *Credit Suisse* noted that fiscal policy in Europe had also been expansionary and that government support programmes were expected to continue until the end of 2021 to help private sector firms recover.

10

(Source: adapted from <https://www.wealthbriefing.com/html/article.php?id=191680#.YNhJaTZKhVo>)



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Extract D

'Hidden cost' of energy and transport could add up to \$25tn, research estimates

The 'hidden cost' of the world's largely fossil fuel-based energy and transport systems could add up to around \$25tn (£18tn) – the equivalent of more than a quarter of the world's entire economic output. That is according to new research in the journal *Energy Research & Social Science*. This estimates the hidden environmental, social and health costs associated with different forms of transport and electricity generation. 5

The researchers say there are many negative externalities associated with these systems, that occur from production to end use. For example, the burning of fossil fuels for electricity generation not only drives damaging climate impacts, such as more frequent and severe extreme weather events, but also deadly air pollution. 10

Global reliance on petrol and diesel vehicles is also fuelling climate change and air pollution, as well as an increased strain on our health systems through car accidents.

(Source: adapted from <https://www.independent.co.uk/climate-change/news/energy-transport-cost-fossil-fuels-b1805808.html>)

Extract E

What Germany can teach us about renewable energy

At the 12th Annual Petersberg Climate Dialogue conference in 2021, German Chancellor Angela Merkel urged all governments to continue investing to protect the climate. Over the past 20 years, Germany has embarked on a remarkable transition from coal and nuclear energy to renewable energy sources. The set of policies to encourage this rise of green energy is known as *energiewende* (energy transition). 5

It has been expensive. Germany has spent a great deal of money on *energiewende* policies. This included billions for public transport development and aid for electric vehicles, as well as more spending on renewable energy infrastructure. Local and community projects like energy cooperatives have increased by 800% and it has created hundreds of thousands of jobs in the renewable sector. Nearly 50% of Germany's energy consumption now comes from renewable sources. 10

Energiewende is not without its downsides. Energy costs remain higher in Germany than other similarly developed nations due to the tax on electricity consumption. But this both reflects the negative externalities of energy production and encourages consumers to use energy more efficiently—from cutting out wasteful uses to buying more efficient appliances. 15

(Source: adapted from <https://slate.com/technology/2021/05/germany-renewable-energy-energiewende-feed-in-tariffs-nuclear.html>)



1 (a) Discuss the usefulness of GDP as an indicator of growth.

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(b) Assess the impact of exchange rate changes on economic growth for a country.

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(c) Using a suitable diagram, assess the use of fiscal policy to stimulate economic growth.

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(d) Evaluate the extent of the trade-off between economic growth and negative externalities.

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TOTAL FOR SECTION A = 50 MARKS



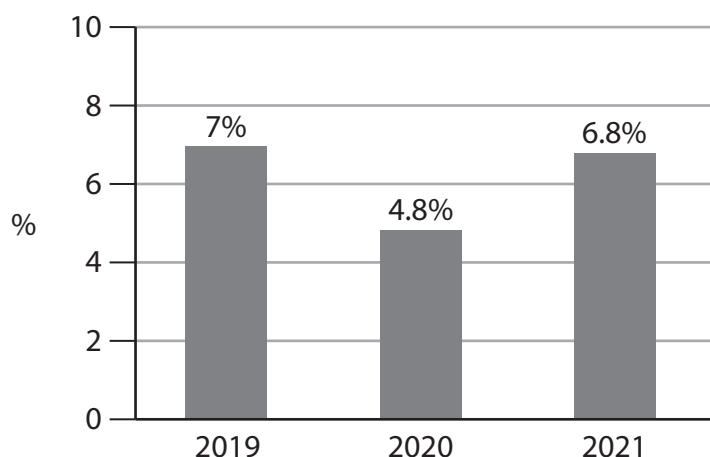
SECTION B

Read the following extracts (F–I) before answering Question 2.

Write your answers in the spaces provided.

Extract F

GDP Growth Rate of Vietnam 2019–2021



(Source: adapted from <https://www.vietnam-briefing.com/news/vietnams-economy-grow-fastest-southeastasia-despite-covid-19.html/>)

Extract G

How does Vietnam benefit by joining the Regional Comprehensive Economic Partnership (RCEP)?

In November 2020, the RCEP was signed in Hanoi, Vietnam after eight years of negotiations. Its 15 members are Australia, China, Japan, New Zealand, South Korea, plus 10 members of the Association of Southeast Asian Nations (ASEAN): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. 5

Once agreed by all its members it will form the world's largest trading bloc, with a market of 2.3 billion people and US\$26.2tn in global output.

The World Bank forecasts that countries in the RCEP will see GDP increase by 1.5% and that the deal could add almost US\$200bn to the global economy by 2030. 10

As Vietnam moves to become a high-tech manufacturer, the RCEP would help it to access large consumer markets. Vietnamese firms would be able to increase exports and Vietnamese consumers would be able to access high-quality goods.

Nevertheless, analysts have also noted that once the RCEP takes effect, Vietnamese firms would face competition both domestically and for export markets as well. 15

(Source: adapted from <https://www.vietnam-briefing.com/news/how-does-vietnam-benefit-by-joining-rcep.html/>)



Extract H

Foreign Direct Investment (FDI) in Vietnam: A Year in Review and Outlook for 2020

In the first 11 months of 2020, foreign investors invested US\$17bn in Vietnam. As of November 2020, there were 109 countries with investments in Vietnam. Singaporean firms have invested the most with just over \$8bn.

Top 5 investors in Vietnam, November 2020		
	Number of new projects	Total investment in dollars (\$bn)
Singapore	225	8.07
South Korea	573	3.70
China	311	2.40
Japan	251	2.10
Taiwan	115	2.00

In early 2020, Chinese firms negotiated and gained approval for more major projects in Vietnam. Japanese multinational corporations (MNCs) such as *Toyota*, *Honda*, *Canon*, and *Sumitomo* have historically had a presence in Vietnam. Newer Japanese firms such as *AEON*, *Uniqlo*, and *Mizuho* have recently expanded their presence in the Vietnamese market, attracted by the investment climate and Vietnam's participation in regional trade agreements.

(Source: adapted from <https://www.vietnam-briefing.com/news/fdi-in-vietnam-year-in-review-and-outlook-for-2021.html/>)



Extract I

Association of Southeast Asian Nations (ASEAN) economies poised for robust recovery with 6% real GDP growth in 2021, says GlobalData

Despite the contraction in real GDP in 2020 due to the global health crisis, ASEAN countries are expected to witness a sharp recovery in 2021.

A report from GlobalData said that trade among ASEAN nations is expected to increase in 2021. This has been encouraged by reduced protectionist measures and the signing of the Regional Comprehensive Economic Partnership (RCEP) in November 2020.

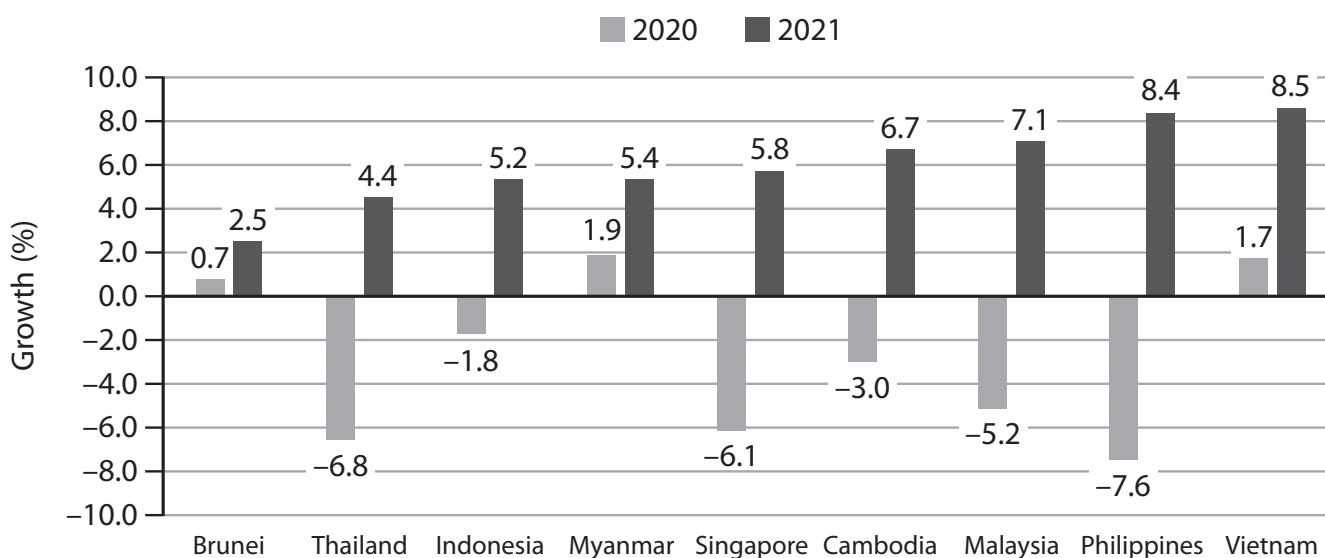
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The six largest ASEAN nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) are all expected to have positive GDP growth rates in 2021.

GlobalData forecasts Vietnam to be the fastest growing economy with a real GDP growth of 8.5% in 2021. Vietnam's growing trade with the EU and its robust fiscal policies, have helped its economy to experience an increase in the growth of the manufacturing and service sectors.

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Real GDP growth (%) forecast for 2021 in ASEAN countries



(Source: adapted from <https://www.globaldata.com/asean-economies-poised-robust-recovery-6-real-gdp-growth-2021-says-globaldata/>)



- 2 (a) Discuss the possible impact of economic growth on employment patterns in a country such as Vietnam.

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(b) Assess the benefits of being a member of a trading bloc for a country such as Vietnam.

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- (c) Assess the impact of Multinational Corporations (MNCs) on the national economy of a country such as Vietnam.

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(d) Evaluate the impact on European firms of the growing economic power of emerging economies in South East Asia.

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TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS



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