IGCSE trade and exchange rates

Pearson Edexcel · International GCSE · Economics

Supported transfer: IGCSE trade and exchange rates

Scope and prerequisite teaching

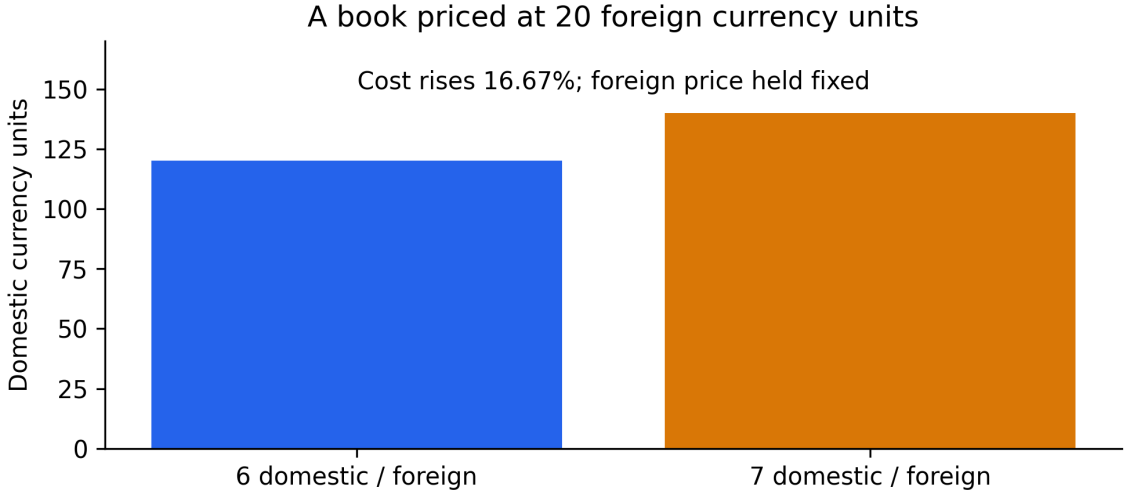
Issue 3, February 2026. Supported mapped specification objectives; qualification rubric reviewed June 2025.

This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 2.2.1a, 2.2.1b, 2.2.1c, 2.2.1d, 2.2.2a, 2.2.2b, 2.2.2c, 2.2.2d, 2.2.2e, 2.2.2f, 2.2.3a, 2.2.3b, 2.2.3c, 2.2.3d.

Native prerequisites: 0702, 0703, 0704, 0705, 0706, 0707, 0708, 0709, 0710.

Key terms

exchange rate ; **depreciation** ; **tariff** ; **retaliation** .



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An exchange rate must state currency direction. Trade changes affect consumers, exporters, input users, competing firms and employment differently. Globalization increases integration but does not distribute benefits equally. Protection changes incentives and may provoke retaliation; its justification needs a specified problem and alternatives.

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■ Worked case

An imported book costs 20 foreign-currency units. The exchange rate changes from 6 to 7 domestic units per foreign unit. Calculate the domestic cost before and after. Domestic cost=foreign price×domestic currency per foreign unit. Initially cost=20×6=120 domestic units; later cost=20×7=140 domestic units. The domestic currency depreciated in this quotation. Percentage domestic-price change=(140−120)/120×100%=16.67%, assuming the foreign price and pass-through are unchanged. Importers pay more; exporters may become cheaper to foreign buyers, but costs, contracts and responsiveness qualify the effect. This is not a current real exchange-rate claim.

■ Independent transfer

A tariff protects one producer but raises imported component costs for other firms. Give a balanced judgement and a review condition.

■ Checked original model

Protection can support the targeted producer and revenue but raise input and consumer costs, reduce choice and harm export competitiveness. Consider jobs gained and lost, adjustment time, retaliation, quality and feasible training/competitiveness measures. Recommend only conditionally on evidence about the stated objective and net effects; set a review of prices, quantities, employment and distribution. Do not count all domestic firms as beneficiaries.

Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The exam format follows the Issue 3 specification and the June 2025 4EC1/01 and 4EC1/02 papers and mark schemes: two 90-minute 80-mark papers, each four compulsory 20-mark questions mixing 1-mark multiple choice, 1–2-mark define/state/calculate, 6-mark analyse, 9-mark assess and 12-mark evaluate items that require reference to the supplied data; extended answers are level-marked (6-mark: 1–2/3–4/5–6; 12-mark: 1–4/5–8/9–12 with an AO4 judgement at the top). Assessment objectives weigh AO2 application at about half of the qualification.

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