Markscheme

May 2021

Economics

Higher level

Paper 2

Use the paper-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

Section A

1.   (a)   (i)   State **two** functions of the World Trade Organization (WTO) (paragraph ❶).   **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition.*	1
	One function is stated **OR** two vaguely stated	
2	*Accurate definition.*	2
	A clear understanding demonstrated by listing **two** of the following functions of the WTO for its member countries: • to set and enforce rules for international trade • to provide a forum for negotiating trade liberalization • to monitor further trade liberalization • to resolve trade disputes • to increase the transparency of decision-making processes • to cooperate with other major international economic institutions • to help developing countries benefit fully from the global trading system.	

(ii)   Define the term *free trade* indicated in bold in the text (paragraph ❶).   **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition.*	1
	The idea that it is unrestricted trade **OR** a lack of trade barriers.	
2	*Accurate definition.*	2
	An explanation that it is the absence of (government) restrictions/barriers to trade between countries.	

(b) Using an AD/AS diagram, explain how removing "the import quota will reduce the inflation rate in the Philippines" (paragraph ❺). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	An AD/AS diagram showing a shift of AS to the right and a fall in the price level **OR** an explanation that removing the quota will decrease the price of rice, this will increase AS due to decreased costs of production leading to a decrease in the price level, reducing the inflation rate.	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	An AD/AS diagram showing a shift of AS to the right and a fall in the price level **AND** an explanation that removing the quota will decrease the price of rice, this will increase AS due to decreased costs of production leading to a decrease in the price level, reducing the inflation rate.	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*

For AD/AS the vertical axis may be average (general) price level, APL or price level. For the horizontal axis, real output, real national output, real income, real national income, real GDP or real Y. Any abbreviations are acceptable. A title is not necessary.
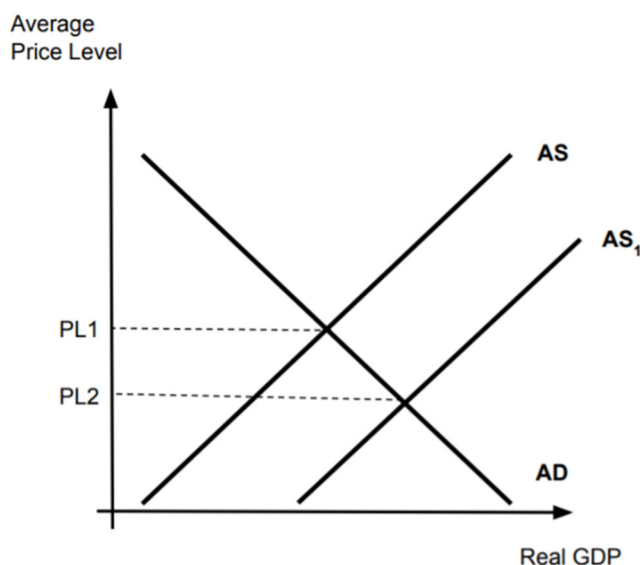
(c)   Using a perfect competition diagram, explain whether farmers in the Philippines
       are making an economic profit or loss (**Table 1**).   **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a perfectly competitive firm diagram showing the ATC curve above the AR curve at a level of output indicating a loss **OR** an explanation that they are making a loss, because ATC (PHP12.41) is above AR (PHP12.19).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a perfectly competitive firm diagram showing the ATC curve above the AR curve at a level of output indicating a loss **AND** an explanation that they are making a loss, because ATC (PHP12.41) is above AR (PHP12.19)	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*

***NB** Candidates must state the values in either the diagram or the explanation for full marks.*

***NB** Some candidates may refer to the Vietnamese price of PHP9.64 shown in Table 1. This is also acceptable as it must be assumed that these candidates consider that, once the quota is removed, the price in the Philippines will fall to the Vietnamese level. Both PHP12.19 and PHP9.64 should be accepted as valid prices.*

For a perfectly competitive diagram, the vertical axis may be labelled Cost (C), Price (P) or Revenue (R). The horizontal axis may be labelled Quantity (Q) or Output. A title is not necessary. AC or ATC can be used.

***NB** MC curve is not required for full marks.*
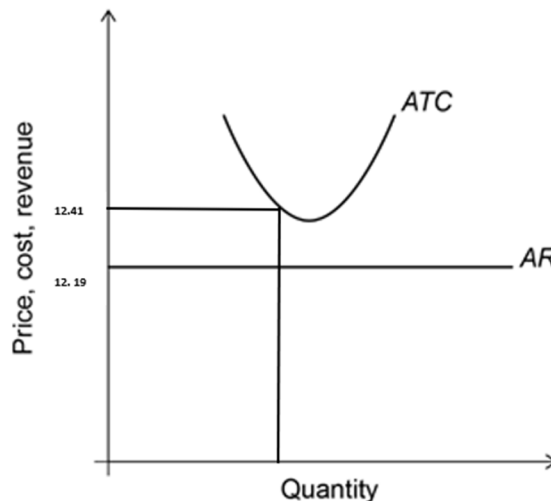
(d) Using information from the text/data and your knowledge of economics, evaluate the impact on the economy in the Philippines of removing the rice quota.   **[8]**

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.*	1–2
	There is basic knowledge/understanding.	
2	*Relevant concepts are recognized and developed in reasonable depth.*	3–5
	There is clear knowledge/understanding. There is some attempt at application/analysis.	
3	*Relevant concepts are recognized and developed in reasonable depth.*	6–8
	There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	

"Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations.

Economic Analysis **may** *include:*
* trade protection
* theory of comparative advantage / allocation of resources
* AD /AS
* employment
* inflation
* standard of living
* economies of scale.

Positive impacts **may** *include:*
* attempts at self-sufficiency of production improved by eliminating quotas (paragraph ❶) and providing assistance to farmers (paragraph ❹)
* rice is a staple food so less volatility in rice prices when quota removed – helps households (paragraph ❷)
* lowers rice price for households – significant annual savings (paragraph ❸)
* lower rice price has forward linkage effect reducing input costs for food manufacturers (paragraph ❺)
* more competition from Vietnamese rice imports encourages domestic producer efficiency and innovation (paragraph ❸)
* more efficient allocation of resources if farmers "move to producing other crops" – comparative advantage (paragraph ❸)
* opportunity to achieve economies of scale in the long run by bringing "down the cost of production" (technical economies through mechanization and possibility of farm consolidations) (paragraph ❸)
* lower rice prices reduce input costs and increase SRAS therefore relieving cost-push inflation (paragraph ❺).

*Negative impacts **may** include:*
- goal of self-sufficiency in rice could be compromised in the long run if the number of rice farmers is reduced (paragraph ❶)
- rice is a staple food so maintaining rice production is a matter of national security (paragraph ❶)
- rice farmers are already making a loss so removing quotas will increase losses and cause some farmers to leave the rice market in the long run (**Table 1**)
- likely to be unemployment in the sector as rice farmers leave the market (paragraph ❸ and **Table 1**)
- local unemployment can lead to hollowing out of rural communities as unemployed migrate to urban areas
- government revenue allocated to support programs to help rice farmers adjust carries significant opportunity costs (paragraph ❹)
- ATC in the Philippines is almost double that in Vietnam, so it might take a long time for Filipino farmers to become competitive (**Table 1**).

Any reasonable evaluation.

2. (a) (i) Define the term *fixed exchange rate* indicated in bold in the text (paragraph ❶). **[2]**

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	Vague definition.	1
	The idea that a country's currency is fixed by the government (central bank).	
2	Accurate definition.	2
	An explanation that a currency's (value) is fixed against any **one** of the following: • the value of another currency • a basket of other currencies • gold • fixed by the central bank of a country, and is not permitted to change in response to changes in currency supply and demand.	

(ii) Define the term *monetary policy* indicated in bold in the text (paragraph ❷). **[2]**

Level		Marks
0	The work does not meet a standard described by the descriptors below.	0
1	Vague definition.	1
	The idea that it is to do with interest rates (or money supply).	
2	Accurate definition.	2
	An explanation that it is any **two** of the following: • demand-side policy • changes in interest rates • changes in money supply • changes in quantitative easing.	

(b)   Using an exchange rate diagram, explain why the "widening trade deficit in services" could lead to a depreciation of the renminbi (paragraph ❸).   **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled exchange rate diagram, with a shift of the supply curve to the right and/or shift of the demand curve to the left **OR** for an explanation that a widening trade deficit in services will lead to an increase in supply (selling) of RMB due to higher imports and/or decrease in demand (buying) for the RMB due to lower exports (causing the RMB to depreciate).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled exchange rate diagram, with a shift of the supply curve to the right and/or shift of the demand curve to the left **AND** for an explanation that a widening trade deficit in services will lead to an increase in supply (selling) of RMB due to higher imports and/or decrease in demand (buying) for the RMB due to lower exports (causing the RMB to depreciate).	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*

For an exchange rate diagram, the vertical axis may be exchange rate, price of RMB in another currency, other currency/RMB or other currency per RMB. The horizontal axis should be quantity, or quantity of RMB. A title is not necessary.
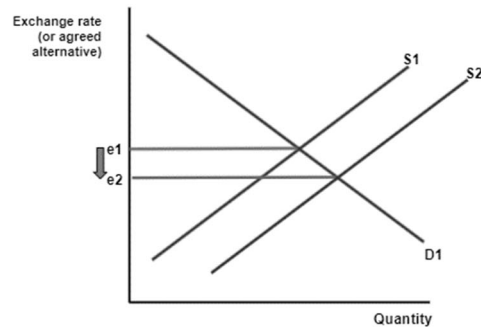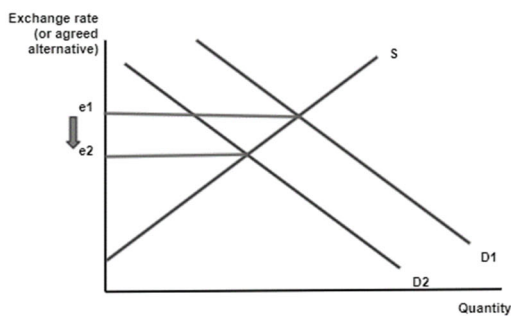
(c)   Using an AD/AS diagram, explain how "increasing China's interest rate" could
      affect its economic growth (paragraph ❺).   **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For an AD/AS diagram showing a shift of AD to the left and a decrease in real GDP **OR** for an explanation that a rise in interest rates may cause an increase in borrowing costs leading to a decrease in the consumption or investment components of aggregate demand, thus bringing about a decrease in real GDP (growth).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For an AD/AS diagram showing a shift of AD to the left and a decrease in real GDP **AND** for an explanation that a rise in interest rates may cause an increase in borrowing costs leading to a decrease in the consumption or investment components of aggregate demand, thus bringing about a decrease in real GDP (growth).	

*Candidates who incorrectly label diagrams can be awarded a maximum of **[3]**.*

*For AD/AS the vertical axis may be average (general) price level, APL or price
level. For the horizontal axis, real output, real national output, real income, real
national income, real GDP or real Y. Any abbreviations are acceptable. A title is
not necessary.*
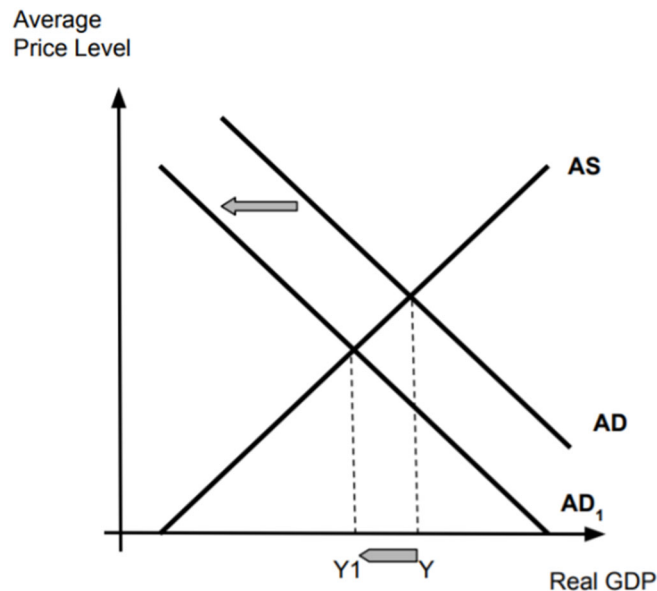
(d)   Using information from the text/data and your knowledge of economics, discuss the view that a depreciating currency is good for the Chinese economy.   **[8]**

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.*	1–2
	There is basic knowledge/understanding.	
2	*Relevant concepts are recognized and developed in reasonable depth.*	3–5
	There is clear knowledge/understanding. There is some attempt at application/analysis.	
3	*Relevant concepts are recognized and developed in reasonable depth.*	6–8
	There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	

"Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

*Responses **may** include:*
- definitions of depreciation, managed exchange rate.

*Economic analysis **may** include:*
- Marshall-Lerner and J curve
- AD / AS
- exchange rate theory
- balance of payments
- government macroeconomic objectives.

*Arguments supporting the claim **may** include:*
- increased AD by decreasing relative price of exports, increasing export revenue if X PED>1
- increases relative price of imports, decreasing import expenditure if M PED>1
- increasing export revenue increases current account surplus (paragraph ❸)
- increase in net export component of AD leading to increasing economic growth (paragraph ❹)
- increases in foreign exchange reserves (assuming export revenue is increasing and is greater than import expenditure)
- increases Chinese ownership of foreign assets and foreign debt
- China exports to countries other than the US
- protects Chinese exporters from US tariff costs (paragraph ❹).

*Arguments against the claim **may** include:*

- the claim that the depreciating RMB is good for the Chinese economy is made by a US official who may be justifying the punitive US tariff regime (paragraph ❶)
- depreciation of the RMB could compromise the market-based reforms to the exchange rate (paragraph ❶)
- main cause of depreciation is "shrinking current account surplus" caused by trade war – falling demand for the RMB (paragraph ❸)
- normal benefits of depreciating currency (lower relative price of exports) cancelled out by US tariffs hence no increase in export revenue on current account (paragraph ❸)
- depreciation increases relative import prices therefore increasing import expenditure ("widening trade deficit") and reducing the current account surplus – increasing supply of Renminbi (paragraph ❸)
- export sector needs government help to compete as depreciation not sufficiently offsetting effect of US tariffs (paragraph ❹)
- depreciation will increase relative price of imported components therefore decreasing SRAS
- slower economic growth due to lower net export component causing slowdown in AD
- rising US interest rates could lead to capital flight from China (paragraph ❺)
- depreciating currency could cause capital flight as speculators seek out the strengthening US dollar therefore "negatively affecting China's financial account" (paragraph ❺)
- indebted Chinese firms harmed if interest rates rise to support the Renminbi and prevent capital flight (paragraph ❺)
- depreciating exchange rate tends to cause political tensions with US (China's biggest trade partner).

Any reasonable discussion.

Section B

3. (a) (i) Define the term *gross domestic product (GDP) per capita* indicated in bold in the text (paragraph ❶). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition.*	1
	The idea that it is a measure of output per person **OR** the formula expressed as GDP/population. **OR** a partial definition.	
2	*Accurate definition.*	2
	An explanation that it is the total value of all (final) goods and services produced in an economy in one in a given period of time per head of (divided by) the population.	

(ii) List **two** components of the Human Development Index (HDI) (paragraph ❶). **[2]**

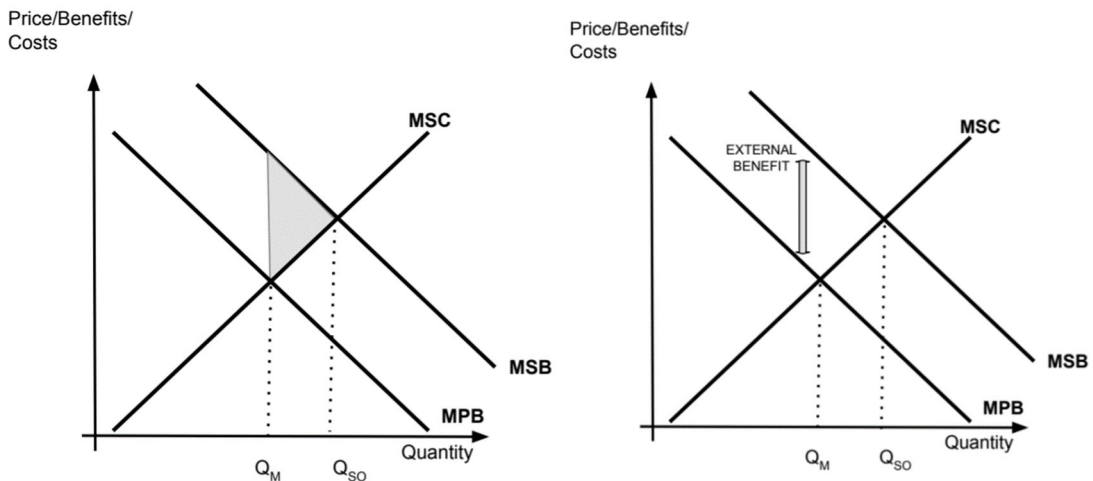| Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague response.*	1
	Any **one** of the following measures: • life expectancy (at birth) • mean years of schooling (for those aged 25 years and above) • expected years of schooling (for a child of school entrance age, capped at 18 years of age) • GNI per capita (or GDP per capita).	
2	*Accurate response.*	2
	Any **two** of the following measures: • life expectancy (at birth) • mean years of schooling (for those aged 25 years and above) • expected years of schooling (for a child of school entrance age, capped at 18 years of age) • GNI per capita (or GDP per capita).	

(b)   Using an externalities diagram, explain the benefits of hygiene and sanitation
      education programmes (paragraph ❺).   **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram OR an accurate written response.*	1–2
	For an externalities diagram showing an MSB curve to the right of the MPB curve and indicating under-provision of healthcare/education services and welfare loss (potential welfare gain)/external benefit. **OR** for an explanation of any plausible external benefit that might be gained from healthcare/education, such as: - the external benefits of a more educated/healthier workforce - a reduction in the spread of disease - a reduction in the welfare loss - a capture of the potential welfare gain - a movement towards the socially efficient level of output.	
2	*There is a correct diagram AND an accurate written response.*	3–4
	For an externalities diagram showing an MSB curve to the right of the MPB curve and indicating under-provision of healthcare/education services and welfare loss (potential welfare gain)/external benefit. **AND** for an explanation of any plausible external benefit that might be gained from healthcare/education, such as: - the external benefits of a more educated/healthier workforce - a reduction in the spread of disease - a reduction in the welfare loss - a capture of the potential welfare gain - a movement towards the socially efficient level of output.	

Candidates who incorrectly label diagrams can be awarded a maximum of [3].

*The vertical axis can be price, costs or benefits. The horizontal axis is quantity. A title is not necessary.*

(c) Using a production possibilities curve (PPC) diagram, explain how the production possibilities (potential output) of the DRC might be affected if there were greater access to electricity (paragraph ❹). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a PPC (outward shift) showing an increase in the potential output in the DRC **OR** for explaining that greater access to electricity may increase efficiency/productivity (increase the quality and/or the quantity of the factors of production) and hence increase potential output (productive capacity).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a PPC (outward shift) showing an increase in the potential output in the DRC **AND** for explaining that greater access to electricity may increase efficiency/productivity (increases the quality and/or the quantity of the factors of production) and hence increase potential output (productive capacity).	

Candidates who incorrectly label diagrams can be awarded a maximum of [3].

For a PPC diagram, there must be two goods or groups of goods competing for the same resources on the axes. Good X and Good Y are appropriate, but simply X and Y are not sufficient.
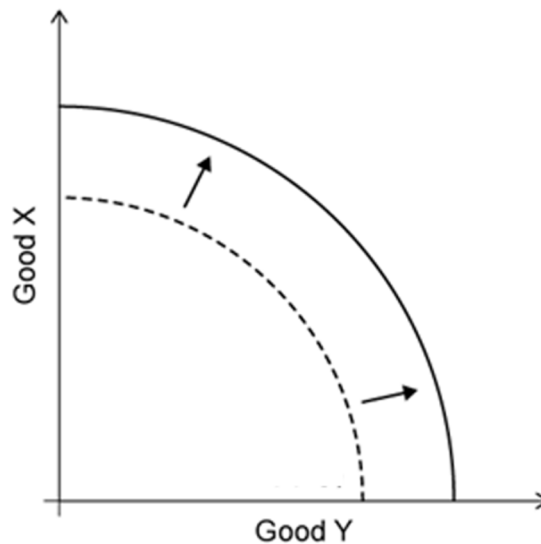
(d) Using information from the text/data and your knowledge of economics, evaluate the effectiveness of interventionist policies as a means of achieving economic development in the DRC. **[8]**

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.*	1–2
	There is basic knowledge/understanding.	
2	*Relevant concepts are recognized and developed in reasonable depth.*	3–5
	There is clear knowledge/understanding. There is some attempt at application/analysis.	
3	*Relevant concepts are recognized and developed in reasonable depth.*	6–8
	There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	

"Evaluate" requires candidates to make an appraisal by weighing up the strengths and limitations.

*Responses **may** include:*
- a definition of economic development
- a definition of interventionist policies.

*Economic analysis **may** include:*
- poverty cycle
- interventionist supply-side policies
- trade protection
- PPC
- FDI.

*Strengths of interventionist policies **may** include:*
- government could provide a social safety net as GDP per capita is low (paragraph ❶)
- government spending to encourage investment in agricultural sector (*eg* subsidies) (paragraph ❷)
- increased spending in the agricultural sector will create jobs (paragraph ❷)
- increased spending in the agricultural sector will reduce reliance on imports and improve food security
- government provision of infrastructure in roads and cities encourages future FDI which may create jobs (increase in LRAS or PPF) (paragraph ❸)
- government building hydroelectric generation plants increases electricity access to citizens and business and encourages FDI which creates jobs (paragraph ❹)
- tariffs can supply additional revenue for government spending (paragraph ❷)
- tariffs can protect infant industries particularly in agriculture (paragraph ❷)
- positive externalities / welfare loss reduced when government increases healthcare provision (paragraph ❺).

*Limitations of interventionist policies **may** include:*
- overdependence on income from mining sector (paragraph ❶)
- increased government intervention may increase corruption (paragraph ❷)
- weak private sector means reduces potential to collect tax revenue
- significant costs to budget to provide road and hydroelectricity infrastructure (paragraph ❸ and ❹)
- government investment in infrastructure may lead to high debt creating a burden to future generations (paragraph ❸ and ❹)
- increasing red tape discourages investment in the private sector (paragraph ❷)
- tariffs on imported inputs increases input costs for firms and reduces output (paragraph ❷).

To reach level 3, students must show awareness of the ways in which interventionist policies will impact upon economic development (not simply discuss the advantages and disadvantages of interventionist policies in general). This means to link the evaluation to how they will reduce poverty, increase living standards, reduce income inequalities and increase employment opportunities, improve health and education indicators.

Any reasonable evaluation.

4. (a) (i) Define the term *absolute poverty* indicated in bold in the text (paragraph ❷). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition.*	1
	The idea that it is when a person struggles to survive **OR** living on an income of less than $1.90 per day	
2	*Accurate definition.*	2
	An explanation that it is when people live below a certain level of income that is necessary to meet basic needs.	

(ii) Define the term *investment* indicated in bold in the text (paragraph ❺). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition.*	1
	The idea that it is buying machinery.	
2	*Accurate definition.*	2
	An explanation that it is any addition to the capital stock of the economy **OR** expenditure/spending by firms and/or government on capital.	

(b) Using a perfectly competitive firm diagram, explain the effect of declining prices of coffee beans on the profits of Honduras' coffee farmers in the short run (paragraph ❷). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a perfectly competitive firm diagram showing the ATC curve and the AR curve and a fall in price showing and showing the resulting profit / at the profit-maximizing (loss-minimizing) level of output. **OR** for an explanation that lower coffee prices will reduce the AR (total revenue) at the new profit-maximizing (loss-minimizing) level of output (for which $MC = MR$). At this output average total costs are greater than AR and therefore the Honduran coffee farmers will incur a loss (in the short run).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a perfectly competitive firm diagram showing the ATC curve and the AR curve and a fall in price showing and showing the resulting profit / at the profit-maximizing (loss-minimizing) level of output. **AND** for an explanation that lower coffee prices will reduce the AR (total revenue) at the new profit-maximizing (loss-minimizing) level of output (for which $MC = MR$). At this output average total costs are greater than AR and therefore the Honduran coffee farmers will incur a loss (in the short run).	

For [4] the candidate must either correctly show the loss on the diagram in the form of a revenue box or have sufficient labelling to be able to correctly identify the loss in their written explanation.

For a perfectly competitive firm diagram, the vertical axis may be labelled Cost (C), Price (P) or Revenue (R). The horizontal axis may be labelled Quantity (Q) or Output. A title is not necessary.
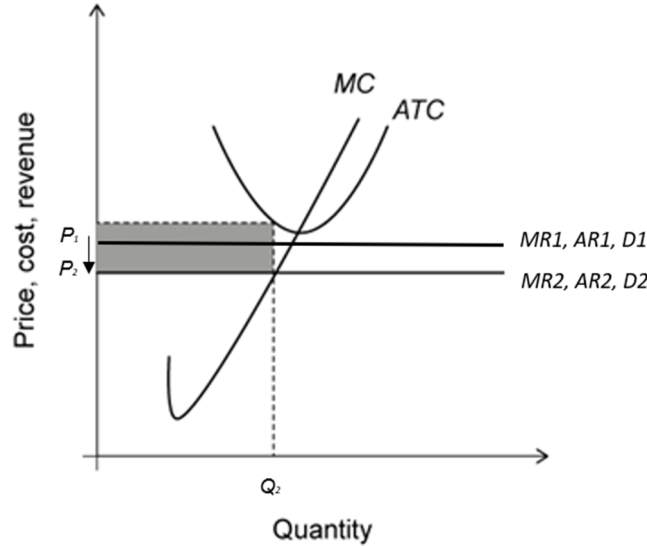
(c) With reference to the data in **Table 2**, explain why the GNI per capita for Guatemala is lower than its GDP per capita. **[4]**

[1] for showing an awareness of the difference between GNI and GDP (by GNI = GDP + Net income abroad **OR** GNI is income from productive factors owned by residents of the country whereas GDP is income produced in the country).

[1] for an explanation that the GNI per capita in Guatemala at 7278 is lower than the GDP per capita at 8100.

[2] for an explanation that this means that the net income from abroad is negative **OR** that foreign owners of productive resources in Guatemala are earning more income than owners from Guatemala are earning in foreign countries.

NB *Responses that do not refer to the data in Table 2 can be awarded a maximum of [3].*

(d) Using information from the text/data and your knowledge of economics, contrast the potential for economic development in Guatemala and Honduras. **[8]**

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Do not award beyond Level 2 if the answer does not contain reference to the information provided.

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Few relevant concepts are recognized.*	1–2
	There is basic knowledge/understanding.	
2	*Relevant concepts are recognized and developed in reasonable depth.*	3–5
	There is clear knowledge/understanding. There is some attempt at application/analysis.	
3	*Relevant concepts are recognized and developed in reasonable depth.*	6–8
	There is clear knowledge/understanding. There is effective application/analysis. There is synthesis/evaluation, supported by appropriate theory and evidence.	

"Contrast" requires candidates to give an account of the differences between two (or more) items or situations, referring to both (all) of them throughout

*Economic analysis **may** include:*
- poverty cycle
- Lorenz curve / Gini
- primary products PED YED
- terms of trade
- FDI
- growth.

*Responses **may** include:*
- a definition of economic development
- a comparison of the HDI ranking, noting that Guatemala's ranking is marginally better than Honduras' (**Table 2**)
- GNI per capita is notably higher in Guatemala, but education and health indices are similar for both countries (**Table 2**)
- the difference in GNI per capita may be exaggerated for Guatemala as it seems to be more dependent on inflows of remittances which would inflate GNI (paragraph ❹)
- Honduras' better access to sanitation (**Table 2**) may contribute to higher economic development and may result in a similar life expectancy despite its significantly lower GNI per capita
- Honduras' larger expenditure on education and health care as a percentage of GDP may contribute to higher economic development (**Table 2**)
- in the long run, greater expenditure on health care and education may result in a healthier and more productive work force, contributing to greater economic growth and development
- Honduras collects more tax revenue (as a percentage of GDP), which may explain its capacity to spend more on merit goods (as a percentage of GDP) (**Table 2**)

- PPC curve or LRAS curve to show effect of improvement in quality of labour for Honduras
- Honduras' lower Gini coefficient suggests a more equal distribution of income (**Table 2**) even though Honduras' GNI per capita income is lower than Guatemala, income is more equally distributed
- Guatemala probably has more people living in absolute poverty, particularly in rural areas (paragraph ❻)
- while Guatemala has a larger population and economy (paragraph ❹), it may be over-reliant on remittances and agricultural exports as a source of economic growth (paragraph ❹ and ❺) when compared to Honduras (paragraph ❶)
- it takes less time in Honduras to start a business, which encourages entrepreneurship and increases SRAS (**Table 2**)
- Honduras' economy is becoming more diversified (paragraph ❶), meaning that it may be more able than Guatemala to withstand global fluctuations in commodity prices in the future
- concerns about poor security in both countries that may discourage FDI
- poor infrastructure in Guatemala (paragraph ❺) may discourage FDI which is needed to diversify the economy and increase economic growth
- use of data to make predictions of future economic development.

Any reasonable evaluation.