

Write your name here

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Pearson
Edexcel GCE

Centre Number

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Business Studies/Economics and Business

Advanced

Unit 3: International Business

Friday 13 June 2014 – Morning

Time: 1 hour 30 minutes

Paper Reference

6BS03/01

6EB03/01

You do not need any other materials.

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 in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Quality of written communication will be taken into account in the marking of your response in Section A, Question 4, and Section B, Question 9. These questions are indicated with an **asterisk (*)** – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

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

Turn over ►

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P 4 3 2 8 6 R A 0 1 2 0

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SECTION A

Answer ALL the questions in this section.

Evidence A

The Double Standards of Multinational Corporations (MNCs)

USA President, Barack Obama, forced BP, a multinational oil company, to set up a \$20bn fund to meet claims for economic losses and environmental costs from its Gulf of Mexico oil spill. This set an example for how host countries of MNCs could take strong action, and how multinationals should respond to meet their responsibilities.

Developing countries should be able to adopt a 'polluter pays' principle for ecological disasters – just like the USA has with BP. 5

Developing countries are also host to MNCs that in many cases have poisoned the environment or caused immense loss of life and property. These MNCs have got away with paying very little or nothing at all for the harm they have caused.

(Source: adapted from Martin Khor – www.guardian.co.uk, Friday 25 June 2010)

Evidence B

Multinationals and Poverty Reduction

MNCs have been described as thieving, bullying, monsters whose only contribution to life on the planet is to exploit the inhabitants of the developing world and hoard their profits for the sole benefit of those who own and run them.

Rarely do you hear the other side of the story about MNCs, such as the fact that:

- MTN* donates \$20 million annually to improve water delivery to the poor of Ghana. 5
- Diageo, a drinks company, ensures adequate access to water for as many as 1 million deprived African citizens.
- Nestlé has rural development programmes in Brazil and India.
- Microsoft undertakes a massive distribution of healthcare resources to many countries in Africa. 10

This concept of MNCs showing their concern for ethical behaviour and social issues in their business environments is known as Corporate Social Responsibility, and MNCs lead the way in its use.

(Source: adapted from <http://www.africanliberty.org/content/multinationals-and-poverty-reduction>)

*MTN Group is a South Africa-based multinational mobile telecommunications company, operating in many African and Middle Eastern countries.



1 Explain **two** possible negative impacts that MNCs can have on the countries where they operate.

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(Total for Question 1 = 6 marks)



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2 Analyse **two** possible ways that MNCs might contribute to an improvement in local living standards in the countries where they operate.

Handwriting practice area consisting of 25 horizontal dotted lines.

(Total for Question 2 = 8 marks)



3 Assess the potential trade-off between ethical behaviour and profitability for a MNC such as BP.

A series of horizontal dotted lines for writing.



(Total for Question 3 = 9 marks)



***4** Evaluate the extent to which the activities of a MNC such as BP can be controlled.

Dotted lines for writing the answer.



(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 35 MARKS



SECTION B

Answer ALL the questions in this section.

Evidence C

Pharmaceutical companies are invading each other's markets

Large western pharmaceutical companies are now looking to emerging markets for growth. As incomes rise the demand for healthcare grows. It is expected that the emerging markets' share of global spending on pharmaceutical products will jump from 12% in 2005 to 28% in 2015. In India pharmaceutical sales are forecast to grow by 15–20% a year; by contrast the USA's sales increased by just 2.3% in 2010.

5

In 2008, Daiichi Sankyo, a Japanese pharmaceutical company, bought Ranbaxy for \$4.6 billion; in 2010, European pharmaceutical company Reckitt Benckiser purchased Paras Pharma – another Indian pharmaceutical company.

However, Indian pharmaceutical companies are also expanding by moving in the opposite direction and trying to increase sales in the West. For many Indian pharmaceutical companies the USA is their biggest market. They are eager to take advantage of lower production costs and use lower prices to gain a greater market share.

10

(Source: adapted from the Economist, January 7th 2012)



Evidence D

Outsourcing: A Passage Out of India

When It's Not All About Wages

Pay of outsourced entry-level accountants in Argentina is higher than in India. But they still earn less than the \$23 hourly wage in the U.S.



For years India was the only choice for U.S. companies seeking to move jobs overseas. India had substantial advantages, plenty of English speakers to staff call centres and enough technical talent to run remote data-processing and computer support centres – all at about 60% less than the cost of U.S. workers.

However, India's dominance in attracting outsourcing is now being challenged by other countries. U.S. companies are exporting skilled jobs in research, accounting and financial analysis to countries such as Argentina and Poland, despite them having higher labour costs than India.

5

Argentina has large groups of young people with engineering and business school degrees who speak English; it also helps that its time zones are close to those of North America.

10

Poland's young population is highly educated – about 50 per cent of its 20 to 24 year olds are in college compared to 10 per cent in India – and highly multilingual.

(Source: adapted from <http://www.businessweek.com/printer/articles/14338-outsourcing-a-passage-out-of-india>)



Evidence E

What Slowdown? Indian Consumers Are Still Spending

Chiragi Kothari, a 32 year-old banker from Mumbai, recently bought the latest Apple iPhone and then went on a 22-day European holiday with her family. She now plans to visit tropical getaway Mauritius with her husband in the next two to three months.

Chiragi is one of many urban, middle class Indians who have not cut back on spending despite a slowing economy and rising prices. From entertainment to holidays and spa treatments, many Indians are still indulging themselves.

5

Consumer spending made up nearly 49 per cent of India's \$1.7 trillion economy in 2011, and the country is on track to become the world's fifth largest consumer market by 2025.

(Source: adapted from http://www.cnbc.com/id/48655542/What_Slowdown_Indian_Consumers_Are_Still_Spending)



6 Explain **two** possible difficulties Indian pharmaceutical companies might face when entering the US market.

A series of horizontal dotted lines for writing the answer.

(Total for Question 6 = 6 marks)



8 Evaluate the relative importance of low labour costs to a company's decision on where it will outsource its production.

A series of horizontal dotted lines for writing the answer.



(Total for Question 8 = 10 marks)



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QUESTION 9 BEGINS ON THE NEXT PAGE



***9** Evaluate the impact of India's growing economic power on individuals in western countries such as the USA or the UK.

Dotted lines for writing.



(Total for Question 9 = 15 marks)

TOTAL FOR SECTION B = 45 MARKS
TOTAL FOR PAPER = 80 MARKS



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