



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE
In Business Studies (6BS03/01 / 6EB03/01)
Unit 3: International Business

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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 – mark scheme

If analysis but ***no context anywhere*** restrict to bottom of L3

If evaluation but ***no context anywhere*** restrict to top of L3

If context on one side ***or*** the other -i.e. an ***or*** eval - it can get L4 (see mark scheme for individual Q for how many allowed in this case)

If context on both sides i.e. an ***and*** eval - then full range of marks at L4 can be considered

Question Number	Question	
1.	Explain two possible reasons why a country, such as Vietnam, might impose tariffs.	6 marks
	Answer	Mark
	Knowledge 2, Application 2, Analysis 2	
	Knowledge: up to 2 marks (one for each reason) for identifying reasons such as protection of domestic/infant industries (1), raising tax revenue (1).	1-2
	Application: up to 2 marks (one for each reason) for developing the above in the context of a country such as Vietnam, e.g. Vietnam is a less developed economy and its industries may not be as competitive as others (1), many Vietnamese have low incomes and pay little or no tax (1).	1-2
	Analysis: up to 2 marks (one for each reason) for developing the reasons, e.g. tariffs increase the price of imported goods meaning that consumers may prefer domestic products thus preserving jobs and industries (1), tax revenue from tariffs can be spent on education to help boost Vietnam’s competitiveness in the future (1).	1-2
	NB: if only one reason, cap at 3 marks	

Question Number	Question	
2.	Analyse one advantage and one disadvantage of a joint venture for businesses, such as Singapore Airlines and AirAsia.	8 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application1, Analysis 2 per advantage/disadvantage</p> <p>Knowledge: 1 mark is available for identifying the advantage/disadvantage e.g. an opportunity to gain local knowledge and help/ difficulties of working with joint venture partner</p> <p>Application: 1 mark is available for contextual answers e.g. the Indian airline market is rapidly expanding and likely to be competitive/different languages spoken by staff at Tata and Singapore Airlines</p> <p>Analysis: up to 2marks are available for expanding on the advantage/disadvantage e.g. India is likely to have different rules and regulations which need to be complied with (1). Having a joint venture partner will mean that as time and money will not be lost in complying with these, mistakes are likely to be avoided (1). The two businesses are likely to have different corporate cultures which can make working together difficult (1). This may cause communication difficulties and a breakdown in the working relationship leading to loss of profitability or even the breakdown of the joint venture (1).</p> <p>Up to 2 analysis marks for one side, up to 4 marks for analysis of both sides</p> <p>NB: if only one advantage or disadvantage, cap at 4 marks</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-4</p>

Question Number	Question		
3.	Assess the benefits to a country, such as Vietnam, of having free trade agreements. (9 marks)		
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge/understanding of a FTA	e.g. an arrangement between countries to trade without any trade barriers.
2	3-4	Application: basic points developed to show awareness of context in terms of a country such as Vietnam	e.g. perhaps referring to the evidence or the characteristics of a developing economy such as Vietnam – relatively low incomes, expanding secondary sector.
3	5-6	Candidate analyses using reasons/causes/consequences/costs to show likely benefits of FTAs	e.g. exports become more competitive with no trade restrictions e.g. production in exporting firms increases, particularly textiles, creating employment and income e.g. consumers have more choice both domestically and from more/cheaper imports. Increased competition lowers prices raising real disposable incomes which also stimulate economic growth.
4	7-9	Evaluation must be present i.e. a candidate balances his/her answer by looking at the degree to which FTAs can be a benefit <i>If context is one sided max of 7 marks</i>	e.g. free trade also means extra competition for domestic textile producers from cheaper imports e.g. this may lead to a decline in domestic output and an increase in unemployment e.g. more powerful free trade partners such as China in ASEAN may grow at the expense of weaker less competitive members.

***N.B. If analysis is not in context restrict to bottom L3.
If evaluation not in context restrict to top L3***

Question Number	Question		
*4.	Evaluate the likely impact of India's recent economic growth on multinational firms. (12 marks)		
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of basic terms</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	<p>e.g. defines or identifies what is meant by a multinational firm, such as a firm that operates in more than one country</p> <p>e.g. growth means an increase in real GDP expressed in percentage terms.</p>
2	3-4	<p>Application: basic points developed to show awareness of context in terms of India and multinational firms</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	<p>e.g. uses evidence or own knowledge to show the nature of the Indian economy's growth or uses evidence from extract about the airline industry such as 1,740 new planes valued at \$240bn.</p>
3	5-7	<p>Candidate analyses using reasons/causes/consequences/costs to show impact of India's growth on multinational firms.</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar.</i></p>	<p>e.g. increased GDP means increased disposable income for many Indian consumers</p> <p>e.g. Indian consumers will be keen to buy many goods and services provided by MNCs and this will increase their sales and profits</p> <p>e.g. multinational firms such as Singapore Airlines and AsiaAir are keen to enter the Indian market and gain a share of the rapidly expanding market</p> <p>e.g. Boeing and Airbus have the possibility of a market worth \$240bn over the next 20 years</p> <p>e.g. an increase in outbound tourists (30m) will create demand for many multinational firms as they travel over the world.</p>
4	8-12	<p><u>Low Level 4: 8-9 marks.</u></p> <p>Evaluation must be present i.e. a candidate balances his/her answer</p> <p><u>High Level 4: 10-12 marks</u></p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. (candidates may use MOPS).</p> <p><i>Candidate uses business terminology precisely and effectively/organises their</i></p>	<p>e.g. as India grows its own businesses will also grow and become increasingly competitive with existing MNCs, examples include Tata, Bharti, Mahindra & Mahindra, Infosys</p> <p>e.g. some UK businesses may benefit from India's growing economic power, such as those providing goods and services increasingly demanded by India and Indian consumers. However, some UK businesses may be threatened and face increased competition</p> <p>e.g. MNCs that use India as a manufacturing base or outsource services there such as IT provision may find that as India grows wages and therefore costs will rise.</p>

		<i>answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar</i>	
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If evaluation not in context restrict to top L3***

Section B

Question Number	Question	
5.	Explain two benefits to organic farmers of operating in a global niche market.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks (one for each benefit) are available for identifying two reasons e.g. reduced competition (1), can charge premium prices (1)</p> <p>Application: up to 2 marks (one for each benefit) are available for contextual answers e.g. smaller number of organic farmers compared to ordinary farmers (1), organic produce can be sold for 50% more (1)</p> <p>Analysis: up to 2 marks (one for each benefit) are for developing the benefits e.g. less competition means less downward pressure on prices/less uncertainty due to unpredictable agricultural prices (1). Demand for organic food is increasing and enables farmers to differentiate their produce/ charge premium prices thus improving their livelihoods (1).</p> <p>NB: if only one reason, cap at 3 marks</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
6.	Explain two possible reasons why a business, such as Fujitsu, may want to invest in Vietnam.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks (one for each reason) are available for describing a reason e.g. low costs (1), access to free trade areas/trading bloc (1)</p> <p>Application: up to 2 marks (one for each reason) are available for relating the above to the context e.g. low cost labour mentioned in evidence E/ increasing costs elsewhere such as China (1). Vietnam is a member of ASEAN/recent expansion of ASEAN (1)</p> <p>Analysis: up to 2 marks (one for each reason) are available for developing the reasons e.g. lower costs of production lead to increased profitability or the ability to cut prices and gain a competitive advantage (1). Locating within trade blocs circumvents tariffs/protectionism reducing costs and increasing competitiveness (1).</p> <p>NB: if only one reason, cap at 3 marks</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question		
7.	Assess the likely benefits to Vietnam of increasing specialisation in the textile industry. (8 marks)		
Level	Marks	Descriptor	Possible content
1	1	Knowledge/understanding of basic terms	e.g. specialisation is a concentration of productive resources in a particular area of the economy
2	2-3	Application: basic points developed to show awareness of context in terms of Vietnam	e.g. refers to Vietnam's textile and clothing industry e.g. Vietnam is world's fifth largest exporter of textiles and clothing
3	4-5	Candidate analyses using reasons/causes/consequences/costs to show likely benefits of increasing specialisation	e.g. specialisation in textiles may lead to a competitive advantage as skills and experience lead to greater efficiency and a comparative advantage in production e.g. specialisation can lead to economies of scale as more resources are devoted to specialisation rather than spread out over many areas, the scale of production increases bringing both internal and external economies of scale into being e.g. specialising in such a large global market can mean increased sales and economic growth for Vietnam.
4	6-8	Evaluation must be present i.e. a candidate balances his/her answer by looking at the degree to which specialisation can be a benefit <i>If context is one sided max of 6 marks</i>	e.g. over-reliance on textiles can be a problem, if demand falls or if a new competitor emerges there is likely to be a significant impact on the country as risk is not sufficiently spread e.g. other countries in ASEAN such as Cambodia or Laos may choose to compete and may have an even lower cost base than Vietnam e.g. if area of specialisation is not sufficiently advanced, low cost rivals may take market share.

**N.B. If analysis is not in context restrict to bottom L3.
If evaluation not in context restrict to top L3**

Question Number	Question		
8.	Assess the importance of low labour costs to a business's decision of where to locate its operations. (10 marks)		
Level	Mark	Descriptor	Possible contents
1	1	Knowledge/understanding of low labour costs	e.g. amount paid to workforce for production
2	2	The above is applied to a business	e.g. refers to evidence or own knowledge, such as Vietnam having low labour costs
3	3-5	Candidate analyses using reasons/causes/consequences/costs of the importance of low labour costs to a business' decision of where to locate its operations	e.g. low labour costs will reduce the overall cost of production, which may increase profitability e.g. this may be important if labour is a large element of overall cost for a business (labour intensive). This is likely to be the case for a textile business that needs many machinists e.g. low labour costs may be particularly significant in a competitive industry/ environment, such as textiles in a global market.
4	6-10	<p><u>Low Level 4: 6-8 marks</u></p> <p>Evaluation must be present, such that candidates make judgments as to where to locate its operations</p> <p><i>Award 6 – 7 marks if one side is in context</i></p> <p><u>Mid Level 4: 8 marks</u></p> <p>Effective evaluation with context on both sides</p> <p><u>High Level 4: 9-10 marks</u></p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion (candidates may use MOPS).</p>	<p>e.g. low cost labour may not have the necessary skills – why Dyson went to Malaysia rather than other locations with lower labour costs</p> <p>e.g. other factors may be much more important such as other production costs, skills and availability of labour force, infrastructure, ease of doing business, membership of trade bloc – Cadbury in Poland, JLR in Czech Republic</p> <p>e.g. much may depend on the nature of the business and its particular requirements such as a research laboratory may require high skills and good infrastructure rather than cheap labour, car manufacturer may require access to deep water port.</p> <p>e.g. countries with the lowest cost labour may not be suitable because of corruption or political instability – main reason why FDI in African countries is relatively low</p> <p>e.g. location may not be a choice a business has if it is determined by access to raw materials such as oil companies – mining companies in Chile</p> <p>e.g. long term considerations may outweigh short term advantages or indeed drawbacks</p>

***N.B. If analysis is not in context restrict to bottom L3.
If evaluation not in context restrict to top L3***

Question Number	Question		
*9.	Evaluate the likely impact of increasing levels of foreign direct investments (FDI) on a developing economy, such as Vietnam. (15 marks)		
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of key terms</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	e.g. FDI – investment in one country that is made by a business, organisation or a government from another country.
2	3	<p>Application: basic points developed to show awareness of context in terms of impact of FDI on a developing economy such as Vietnam</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	e.g. characteristics of a developing economy in terms of development, infrastructure, growth rate, HDI etc. e.g. low GDP per capita, large primary sector but shifting emphasis to a rapidly growing secondary sector
3	4-7	<p>Candidate analyses using reasons/causes/consequences/costs to show the impact of FDI on a developing economy such as Vietnam</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i></p>	<p>e.g. the initial investment in a host country creates employment. Buildings and equipment may be needed. Once operations commence a workforce will be needed</p> <p>e.g. Local businesses may be involved in supplying or servicing the MNC and see an increase in business and take on more workers. – growth of Mexico following FDI by car makers such as Honda, Toyota, Volkswagen</p> <p>e.g. those with new employment will spend some of their income with local businesses. This increases demand and in turn creates more jobs. There is a positive local multiplier effect – reduction in poverty levels China</p> <p>e.g. MNCs may train up the local workforce who may acquire useful skills. MNCs often bring new technologies, techniques and methods. New work practices and technology help the host country to become more competitive and grow joint ventures in China</p> <p>e.g. Increased employment and wages should lead to an increased tax base and government revenue. Exports may increase improving the balance of payments.</p> <p>e.g. MNC's CSR policies can greatly benefit the local communities and environment – First Quantum in Zambia</p>

4	8-15	<p><u>Low Level 4: 8-10 marks</u> Evaluation must be present i.e. a candidate balances his/her answer</p> <p><i>Award 8 – 10 marks if one side is in context</i></p> <p><u>Mid-Level 4: 11 - 12 marks</u> Effective evaluation with context on both sides</p> <p><u>High Level 4: 13-15 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion (candidates may use MOPS).</p> <p><i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>e.g. wages can be low and working conditions poor. Child labour may be used and exploited – Rana Plaza building collapse in Bangladesh</p> <p>e.g. MNCs may not train local workers to a high level. R&D facilities may be kept in the home country with little opportunity for skills or technology transfer – Dyson kept R&D back in UK , same with JLR</p> <p>e.g. local businesses suffer at the hands of the MNCs who take away their market share. They act as an agent for cultural imperialism which replaces and even destroys the native culture with unwanted products and values. McDonalds, Disney</p> <p>e.g. MNCs cause great damage to the environment by their processes and the transportation of their products. This damage can be short or long term and is usually unsustainable. – Chevron in the Amazon, BP Gulf of Mexico</p> <p>e.g. profits are repatriated to the home country. Taxation can be reduced or avoided (British sugar in Zambia) by transfer pricing. – Google, Starbucks et al. MNCs are likely to flit from one country to the next taking whatever incentives are on offer, before moving on to the next and newest low cost location, leaving behind unemployed workers and a weakened economy.</p>
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***N.B. If analysis is not in context restrict to bottom L3.
If evaluation not in context restrict to top L3***