



**OPTION 1 – WHAT IS THE GLOBAL FUTURE?**

**If this option is attempted, answer ALL the questions in Section A and ONE question chosen from Section B.**

**If you answer Option 1 put a cross in this box .**

**SECTION A**

**Read carefully the material provided in Evidence A and then answer ALL the questions that follow.**

**Evidence A**

**These shoes were made for dumping**

In July 2005, the European Commission (EC) concluded that Vietnam had dumped bicycles into the European Union (EU) market, and imposed an import tariff of 34.5% on bicycles from Vietnam. The EC accused Vietnam (together with China) of doing the same thing with leather shoes; this was quite harmful to the Vietnamese economy, because Europe is Vietnam’s most important market for footwear, accounting for 70% of exports. 5

The EC dumping investigation against Vietnamese and Chinese leather shoes was started after the European Confederation of Footwear Industries (CEC), which makes 40% of the leather shoes sold in the EU, complained.

The EC said Vietnam dumped leather shoes by selling them at 23% less than a fair price, according to its calculations based on production costs in a “comparable country”, while China sold its products at 80% less. 10

In reaching its decision to impose tariffs, the EC compared Vietnamese shoe prices against Brazilian shoe prices. Vietnam believes that this comparison is misleading since the average per capita income in Brazil is about US\$2,700 while it is just \$400 in Vietnam. 15

The CEC claims that a sharp increase of cheap shoes made in Vietnam (and China) has reduced sales of EU-made leather shoes. It shows that Vietnam exported 78.1 million pairs of leather shoes to the European market in 2002, and hoped to export 139.6 million in 2005. EU figures also show that from 2002 to 2004, the average price of Vietnamese shoes sold in its market dropped 30% while their volume increased 79%. The market share of Vietnamese products also increased sharply, from 11% to 15%. 20

Consequently, shoe production in the EU has dropped while imports have increased significantly. In 2000, the industry produced around 1 billion pairs, but in 2004 it only produced 704 million. In the meantime, imports increased from 836 million in 1998 to 1.62 billion in 2004. 25



British retailers and importers have called for action to lift curbs on cheap Chinese and Vietnamese clothing and footwear coming into the country. Retailers warn that protectionist measures will not save jobs and may mean that consumers could face higher prices. David Willetts, the shadow trade secretary believes that tariffs and quotas are bad news for the poorest people in our country – for whom the price of their clothes matters – and for retail, which has been hit hard enough in the last year.”

30

Adapted from: [http://www.atimes.com/atimes/Southeast\\_Asia/GI07Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/GI07Ae01.html), Sep 7 2005  
 ‘Retailers rip into Chinese textile quotas’ *The Guardian*, 23 August 2005

1. Examine the potential effect of dumping by Vietnam and China on the UK shoe industry.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Q1

(Total 7 marks)



M 2 6 0 8 7 A 0 3 2 8





**SECTION B**

**Answer ONE question from this section.**

*The virgin forests of Papua New Guinea are at risk of being wiped out through illegal and unsustainable logging by a timber industry mired in corruption. The Forestry Stewardship Council aims to achieve sustainable management of forestry balancing the conflicting interests of tourism, farming and the timber industry.*

<http://news.independent.co.uk/environment/article348717.ece>

[http://www.fsc.org/en/about/about\\_fsc/benefits](http://www.fsc.org/en/about/about_fsc/benefits)

4. (a) Examine the externalities associated with the unsustainable use of resources such as timber. (10)

(b) Evaluate the potential effects of ethical trading on host countries. (15)

**(Total 25 marks)**

**Q4**

**OR**

*Producing commodities such as coffee, cotton or tobacco for the international markets is a hazardous business. Commodity markets are characterised by instability and uncertainty. All three of the products are grown commercially in Zambia.*

<http://www.bized.ac.uk/virtual/dc/farming/theory/th2.htm>

5. (a) Examine the link between changing patterns of demand and commodity prices. (10)

(b) Evaluate **two** possible strategies that producers of commodity products might adopt in order to increase their incomes. (15)

**(Total 25 marks)**

**Q5**

**Indicate which question you are answering by putting a cross (X) in the box.**  
**If you change your mind, put a line through the box (X) and then indicate your new question with a cross (X).**

Chosen question number:      **Question 4**       **Question 5**



Leave  
blank

A large rectangular area containing 25 horizontal dotted lines for writing.



Leave blank

A large rectangular area with a rounded border, containing 25 horizontal dotted lines for writing.





Leave blank

Area containing 25 horizontal dotted lines for writing answers.

**TOTAL FOR SECTION B: 25 MARKS**

**TOTAL FOR OPTION 1: 50 MARKS**



M 2 6 0 8 7 A 0 9 2 8

**OPTION 2 – CAN THERE BE CERTAINTY?**

If this option is attempted, answer **ALL** the questions in Section A and **ONE** question chosen from Section B.

If you answer Option 2 put a cross in this box .

**SECTION A**

Read carefully the material provided in Evidence A and B and then answer **ALL** the questions that follow.

**Evidence A****Migrants boost UK's growth**

Eastern European migrants have brought powerful benefits to Britain's economy since 10 new countries joined the European Union in 2004, according to recent research.

Peter Spencer, the author, says 'As a direct result, the UK workforce has become younger, more flexible and economical, easing the pensions burden and keeping interest rates lower than many commentators could have predicted'.

5

Britain was one of only three EU members to give citizens of the new member countries full rights to come and join its workforce. The 300,000 or so people who have chosen to do so have helped to keep inflation under control, and their taxes will boost the Treasury's coffers by £300m this year.

Heather Stewart, economics correspondent, *Observer*, Sunday 23 April 2006

**Evidence B****Economist Intelligence Unit ranks Denmark as best place to do business**

Denmark will be the best place in the world to conduct business over the next five years, according to the latest business environment rankings from the Economist Intelligence Unit.

The country's liberalising policies of recent years mean that Denmark's labour market receives a high score for its increasingly flexible, as well as highly educated workforce. Denmark also stands to benefit from improvements to its tax regime, which should become even more transparent, and from reform of local government, which should increase efficiency and reduce pressure on the central government.

5

Adapted from the Economist Intelligence Unit

[http://store.eiu.com/index.asp?layout=pr\\_story&press id=70001807&ref=pr\\_list](http://store.eiu.com/index.asp?layout=pr_story&press id=70001807&ref=pr_list) March 30th 2005









**SECTION B**

**Answer ONE question from this section.**

*“The objective of the Welfare Reform Bill is to help more people off incapacity benefit and into work. We support that objective.”*

Danny Alexander, Liberal Democrat Dept for Work and Pensions spokesperson.  
 Speech in the House of Commons, Debate on incapacity benefits. Monday 24th July 2006  
<http://www.libdems.org.uk/parliament/>

9. (a) Examine the role of fiscal policy in reducing the poverty trap. (10)

(b) Evaluate **two** strategies the government may use to reduce unemployment. (15)

**(Total 25 marks)**

**Q9**

**OR**

*“Sharon and Neil Rowe, of Trethvas Farm in Cornwall, will shortly start harvesting their wriggly crop from the worm farm which they set up last summer. They started breeding worms to diversify their business to combat falling farm incomes. The farm supplies worms for many purposes including waste projects, football pitches, and irrigation.”*

Adapted from ‘Worms Turn Cornish Farmers in New Direction’  
<http://www.objectiveone.com/client/media/media-135.htm>

10. (a) Examine possible sources of finance for a new business venture. (10)

(b) Evaluate measures a business might take to reduce the risk of failure when planning a new venture. (15)

**(Total 25 marks)**

**Q10**

**Indicate which question you are answering by putting a cross in the box (⊗).  
 If you change your mind, put a line through the box (⊗) and then indicate your new question with a cross (⊗).**

Chosen question number:      **Question 9**       **Question 10**



Leave  
blank

Area with horizontal dotted lines for writing.



Leave blank

Lined writing area with horizontal dotted lines.





Leave  
blank

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

**TOTAL FOR SECTION B: 25 MARKS**

**TOTAL FOR OPTION 2: 50 MARKS**



### OPTION 3 – COMPETITION, CONFLICT OR CONSENSUS?

If this option is attempted, answer ALL the questions in Section A and ONE question chosen from Section B.

If you answer Option 3 put a cross in this box .

#### SECTION A

Read carefully the material provided in Evidence A and B and then answer ALL the questions that follow.

##### Evidence A

###### A view of intangible assets from Cranfield University

Intangible assets and intellectual capital are sources of value and a source for sustainable business performance in today's competitive market. They are the sources of competitive advantages and above normal financial returns. Unlike physical resources that can only be used for one activity at a time – intangible assets can be deployed at the same time in multiple uses. For example the case of the knowledge to produce a specific drug, a brand such as Virgin, or even the corporate culture.

5

[http://www.som.cranfield.ac.uk/som/research/centres/cbp/research/managing\\_intangible\\_assets/managing\\_intangible\\_assets.asp](http://www.som.cranfield.ac.uk/som/research/centres/cbp/research/managing_intangible_assets/managing_intangible_assets.asp)

##### Evidence B

###### Unilever to sell Birds Eye brand

Unilever, the world's second-biggest food and detergent company, is feeling the effect of increasing competition. It has agreed to sell most of its European frozen-foods unit to Permira Funds for 1.73 billion euros (\$2.21 billion) to focus on more profitable brands. The brands up for sale include Birds Eye and Igloo frozen foods. Unilever has decided to keep the Findus brand in Italy. The company employs 3,500 workers at a fish factory in Hull and at frozen vegetable operations in Lowestoft, Suffolk.

5

The decision to sell Birds Eye and the other businesses came amid pressure on frozen food sales from other areas such as fresh meat and chilled foods. Unilever's Chief Executive believes that the sale of its frozen foods business is the best way of increasing value for its shareholders.

10

Union leaders are demanding talks with senior management at the Birds Eye fish factory in Hull to seek assurances over the jobs of its 600 strong workforce and their pensions.

They are concerned that the new owner may cut staff to reduce costs and boost profits, signifying the end to the partnership approach with the GMB Trade Union. The close relationship with unions led to a thriving learning culture where the workforce had the confidence to cope with change.

15

[http://www.fishupdate.com/news/fullstory.php/aid/5226/Unions\\_\\_demand\\_assurances\\_over\\_Birds\\_Eye\\_jobs.html](http://www.fishupdate.com/news/fullstory.php/aid/5226/Unions__demand_assurances_over_Birds_Eye_jobs.html) 30/08/06



11. Examine the view that intangible assets can be a source of above normal profits.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total 7 marks)

**Q11**



Leave blank

**12.** Assess the reasons behind Unilever's decision to dispose of Birds Eye at a time when profits are rising.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

**(Total 8 marks)**

**Q12**





**SECTION B**

**Answer ONE question from this section.**

*Achieving competitive advantage is challenging in any industry. Sustaining it can be more so. In financial services, the pace of change and the complexity we face make this challenge even more significant. Old profit engines have stalled and we must find new models for growth and differentiation through innovation.*

<http://agendabuilder.gartner.com/FSIT2/webpages/SessionDetail.aspx?EventSessionId=910>

**14. (a)** Explain how innovation may result in profit maximisation. **(10)**

(b) Evaluate the implication of competition on business strategy. **(15)**

**Q14**

**(Total 25 marks)**

**OR**

*The Trades Union Congress strongly .....believes that through working in partnership together it is possible to achieve an effective, well-trained workforce, which can contribute to increased competitiveness and the growth of individual organizations and the economy.*

Viewed 8/9/06 <http://www.tuc.org.uk/partnership/tuc-4501-f0.cfm> 26 February 2002

**15. (a)** Explain how employee share ownership may benefit firms. **(10)**

(b) Evaluate the possible benefits for firms of creating closer relationships with staff. **(15)**

**Q15**

**(Total 25 marks)**

**Indicate which question you are answering by putting a cross in the box (☒).**

**If you change your mind, put a line through the box (☒).**

**and then indicate your new question with a cross (☒).**

Chosen question number:    **Question 14** ☒        **Question 15** ☒





Handwriting practice area with 28 horizontal dotted lines.







**BLANK PAGE**



**BLANK PAGE**



**BLANK PAGE**

