Write your name here

Surname	Other names

Centre Number | Candidate Number

Edexcel GCE

Business Studies/Economics and Business

Advanced

Unit 3: International Business

Thursday 14 June 2012 – Afternoon

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 to Question 4 in Section A and Question 9 in Section B. 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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SECTION A

Answer ALL the questions in this section.

Evidence A

Overseas focus by Mothercare pays off

Mothercare's focus on overseas expansion appears to be working, with first-half international retail sales overtaking domestic sales for the first time at the babycare retail group.

Ben Gordon, Chief Executive, said that Mothercare had made the transition to overseas markets with ease and that there was huge potential in emerging markets with expanding middle classes and rising populations. China, Russia, Turkey and India have been its fastest growing markets. 5

Mothercare's 860 international stores are franchised or run as joint ventures, for example in China through Mothercare-Goodbaby China Retail. Mothercare has just announced a new joint venture in India with DLF Brands which will add to its existing presence there. 10

Mothercare has made a series of acquisitions (mergers and takeovers) in recent years including the purchase, for £85m, of the baby toys chain Early Learning Centre which has 80 outlets in 20 countries. Its newest purchase is the fashionable maternity clothing brand, Blooming Marvellous.

Mothercare currently sources the vast majority of its toys and equipment from China and about 50 per cent of its clothing. 15

(Source: adapted from www.ft.com/cms/s/0/3f08e0aa-d7b5-11df-b478-00144feabdc0.html#axzz1EPygZ3as)

Evidence B

Mothercare and responsible sourcing

"Our responsible sourcing programme is about people and the environment. Our Responsible Sourcing Code is based on the ETI (Ethical Trading Initiative) base code and covers 10 key areas.

- No forced labour
- Workers can choose to join a trade union
- Safe and hygienic working conditions
- No child labour
- Wages are reasonable and fair
- Reasonable working hours
- No discrimination
- Regular employment
- No physical or verbal abuse
- Environmental protection."

(Source: adapted from www.mothercareplc.com/responsible-sourcing)

1 Explain **two** possible reasons why Mothercare sources "the vast majority of its toys and equipment from China" (Evidence A, line 15).

(Total for Question 1 = 6 marks)

2 Analyse **two** possible reasons why new markets might be important for the future success of a business such as Mothercare.

(Total for Question 2 = 8 marks)

3 Assess the likely benefits to Mothercare of expansion through joint ventures.

(Total for Question 3 = 9 marks)

***4** Evaluate the likely impact of Mothercare's responsible sourcing policy on

(a) customers.

(b) shareholders.

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 35 MARKS

SECTION B

Answer ALL the questions in this section.

Evidence C

Proposed route for Corridor X

Infrastructure: smooth path to growth is hindered by rocky roads

The countries of south-eastern Europe are striving to upgrade their ageing and often crumbling transport and communication infrastructure. The development of highways in particular is seen as essential to support growth in these underperforming economies. The EIB (European Investment Bank) has now committed more than two billion Euros to road infrastructure improvements in the region in the past decade. This includes a planned cross-European transport route called Corridor X, connecting Austria and Hungary, through the Western Balkans to Bulgaria and Greece. When finished, this and other new routes will make deliveries faster and safer, allow more precise planning and significantly reduce wear and tear on vehicles, all leading to cost saving.

(Source: adapted from the *Financial Times*, 7 December 2010/ map from http://store.businessmonitor.com/article/274019)

Evidence D

Croatia and Foreign Direct Investment (FDI)

Croatia is keen to provide a range of incentives to encourage investment in its economy. Incentives include tax relief; for example, businesses investing over 8 million euros and employing more than 75 people pay no profits tax for 10 years. In areas of high unemployment there is a cash payment of 3000 euros for every person employed. When equipment is imported as part of an investment, customs duties are not paid on goods although this will cease when Croatia joins the European Union (EU). Financial support is also offered for training costs, high technology projects and any large-scale investments. Smaller investments also receive substantial help.

(Source: adapted from www2.hgk.hr/en/pdf/croatia_bussines_partner_2009.pdf)

Evidence E

The Western Balkans

Mixed picture as region waits to join the EU

Non-EU members such as Croatia, Serbia, Bosnia-Herzegovina, Montenegro, Kosovo, Albania and Macedonia are referred to as the Western Balkans and form the core of south-eastern Europe.

Low wages could make parts of the region attractive to manufacturers, because these countries have cheaper labour markets than neighbours to their north and they are closer than Asia. "A lot of European investment will

now go into emerging Europe; not only the car factory investments of the past but also a lot of smaller scale manufacturing," says Christian Keller, chief economist for European emerging markets at Barclays Capital.

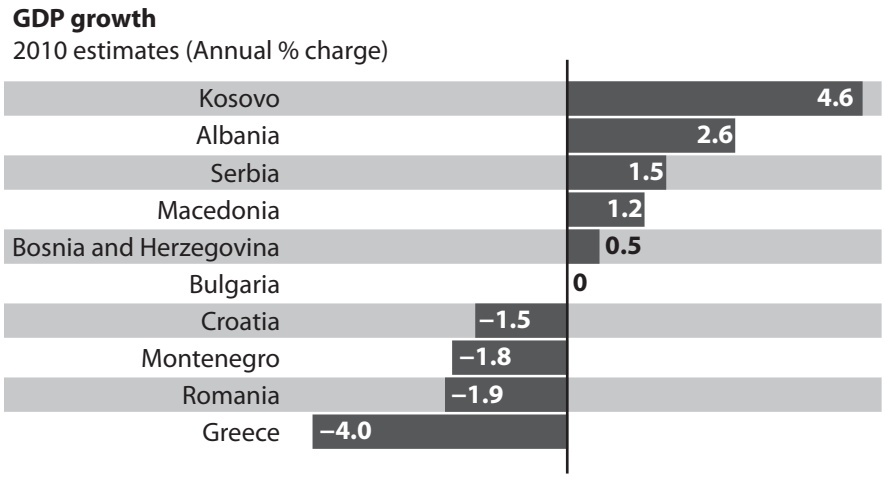
For these small countries, integration with the EU provides the obvious formula for economic growth. Croatia expects to become the bloc's 28th member within three years. Montenegro is expected to apply in 2011 and Serbia aims to be fully "EU-ready" by 2015.

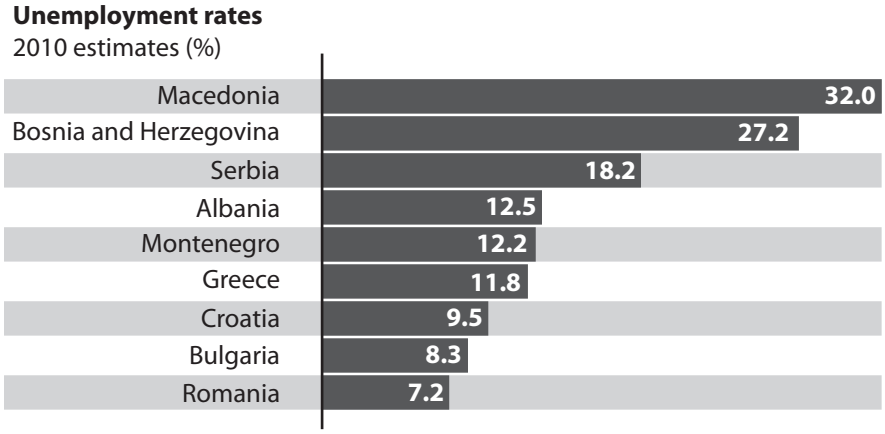
The Western Balkans and Moldova are members of CEFTA (Central European Free Trade Area) which is seen as a stepping stone to EU membership. Former members include Bulgaria, Czech Republic, Romania, Hungary, and Slovenia. These countries ended their CEFTA membership when they were admitted to the EU. It is designed to encourage members to trade more freely with each other before joining the EU. Regional trade co-operation is supposed to reduce the costs of trade and reduce prices to consumers. Unfortunately CEFTA has not eliminated enough trade barriers to promote free trade.

(Source: adapted from the *Financial Times*, 7 December 2010)

Evidence F

South-eastern Europe, GDP growth and unemployment rates





(Source: adapted from the *Financial Times*, 7 December 2010)

5 Explain **two** possible reasons why members of CEFTA may not have eliminated "enough trade barriers to promote free trade" (Evidence E, line 20).

(Total for Question 5 = 6 marks)

6 Explain **two** possible reasons why the Croatian Government offers incentives to attract FDI (Foreign Direct Investment).

(Total for Question 6 = 6 marks)

7 Assess the likely benefits for a "smaller scale manufacturing" (Evidence E, line 10) business of locating in the Western Balkans.

(Total for Question 7 = 8 marks)

8 Assess the importance of transportation and communication for businesses wanting to trade with the Western Balkans.

(Total for Question 8 = 10 marks)

***9** Evaluate the likely impact of the further enlargement of the EU on UK businesses.

(Total for Question 9 = 15 marks)

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

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