



Examiners' Report

June 2022

GCE Economics B 9EB0 03

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Introduction

This paper proved to be slightly less accessible than the previous series of 9EB03, possibly due to the difficulties many students encountered in Q2a. However, there were many very good responses showing high levels of knowledge, analysis and evaluation. Even so, many answers lacked application and supporting evidence. This was particularly disappointing given that the topic was released well before the exam. Centres should have taken full advantage of this and used the topic of economic growth in classwork, assignments and wider study, looking at a wide range of case studies and examples. Many just treated the exam paper as a comprehension exercise and some answers were wholly generic. Many answers showed a simplistic and frequently erroneous mix of assertions and assumptions. Candidates who do this are unlikely to convince examiners that their chains of reasoning are sound. It is worth reminding students that the higher levels in the mark scheme all require good use of supporting evidence. Having said that, it was pleasing to see some students using a wide range of examples and evidence, including recent economic events, to illustrate and reinforce their arguments.

Centres also need to appreciate the requirement to demonstrate quantitative skills (QS) as stated in the specification. The stimulus material contained a range of data, in both written, graphical and numerical form. QS9 (see specification, appendix 3) requires candidates to be able to 'interpret, apply and analyse information in written, graphical, tabular and numerical forms'. Many candidates chose to ignore the data or did not make full use of it, once again limiting their attainment.

Question 1 (a)

Some candidates struggled to define or show accurate knowledge of GDP but most were able to say why it was useful as a measure of economic growth and how it was easily comparable over time or between economies. Rather surprisingly most chose to show balance by claiming that HDI was a much more accurate measure; this was not always a convincing argument. Others chose to argue that GDP needed to be used as a per capita figure or in real terms to remove the effects of inflation. Surprisingly, few took the option of looking at the impact of the informal or black economy.

1 (a) Discuss the usefulness of GDP as an indicator of growth.

(8)

GDP stands for gross domestic product, and it measures the total output produced by an economy in a given time period. It's effective at measuring the economic progress of a country over time, and it can be compared to other country's growth levels. This is effective as it can ensure that country's growth levels can be compared, as this allows country's to monitor their progress, and see their growth levels on an international level. However, GDP ~~only~~ ~~measures what GDP is supposed to measure.~~ ~~But it~~ 'doesn't count everything that counts.' GDP ~~doesn't~~ alone doesn't consider inflation and growth levels of a country. Therefore, countries with large populations will ~~seem~~ appear to have high GDP growth. Also, countries with high inflation will seem like they're growing well, however this is due to increased prices not increased output.

Furthermore, GDP can be seen as ~~not useful~~ ^{not useful} as it doesn't show ~~the~~ social measures, and ignores the effect growth has on living standards. Due to this, some countries like China have high economic growth which went up to 10% until 2015. However, China has very high pollution levels, and smog and air pollution is resulting in a poor quality environment. Also, China has very high levels of inequality despite their high levels of GDP. This reflects why GDP ~~isn't~~ isn't effective at measuring all aspects of growth that's experienced by an economy. However, GDP does reflect economic growth effectively.



A good level 3 response that gained 7 marks. Clear and showing good understanding with a balanced awareness of competing arguments.

1 (a) Discuss the usefulness of GDP as an indicator of growth.

(8)

~~GDP measures~~ Gross domestic product ~~measures~~ is used to measure the current state of a given economy.

One reason why GDP is a good measure of growth, is because it takes into account the money within the given economy. ~~Money~~ ~~in a region~~ ~~area~~ using money is beneficial, as it can be a good indicator of the growth in the area. The higher the rate of growth in GDP, the higher the growth as a whole, and a ~~decrease~~ decrease in GDP is likely to mean a decrease in growth.

However, money is not the only indicator of growth. HDI may be better than GDP, as it takes into account a number of things. For example literacy rates. Education is key to all economies, therefore including this may result in a more accurate indication of growth. A HDI reading getting closer to 1 is very likely to mean growth is occurring. A decreasing HDI should mean decreased growth.



A low level 2 response that gained 3 marks. The response is rather vague on the meaning of GDP and what it measures; it does, however, make an attempt at balance, showing elements of knowledge and understanding.

Question 1 (b)

Exchange rates have always proved to be a tricky subject for some students and this question was no exception. Inevitably, some students became very confused with the impact that movements in the exchange rate might have. Others simply copied out the evidence without adding anything of merit. Others still just explained the impact of appreciation or depreciation without any attempt at balance such as the likelihood or extent to which this might happen or trying to assess the impact. Stronger responses included balance by looking at the magnitude of the changes and whether they might be temporary or not. Some considered the PED for exports and imports and how this could affect the impact of changes in the exchange rate.

(b) Assess the impact of exchange rate changes on economic growth for a country.

(10)

Exchange rate is what one currency is worth in terms of another and it has 'direct impact on each nation's economy.' This is because exchange rate influences the exports and imports of a nation, which makes up the current account and influences AD. This is due to the fact that, if a currency is weak compared to another, e.g. weaker yuan against the US dollar, exports will become cheaper (and therefore more competitive), resulting in an increase in demand for them, whilst imports become more expensive, resulting in decreased demand for them - this is due to the law of demand. Consequently, a nation, like China, will benefit from a weaker currency as the export component of AD will increase, ~~thereby~~ therefore causing an outward shift of AD, which will stimulate economic growth. Whereas the US 'trade deficit would likely widen', highlighting how exchange rate can also negatively impact economic growth.

However, to a lesser extent, a weaker yuan against dollar may not necessarily cause AD ~~to shift~~ of China to shift outward, if consumers continue to import, regardless of the higher price. This may be because the PED of the imports is inelastic hence current ~~acc~~ account and AD could actually worsen in the short run. Although this is not very significant because people & firms will find substitutes for the expensive imports in the long run, leading to the Marshall-Lerner condition.

and J curve effect. Furthermore, ultimately, ~~ess~~ ~~ex~~ a weak currency compared to another will stimulate economic growth, e.g. for China which is currency growing at 6%, by ~~ex~~ increasing exports and decreasing imports.



ResultsPlus
Examiner Comments

A good level 4 response that gained 9 marks. The response shows accurate knowledge and understanding with logical coherent chains of reasoning. This is well complemented by some balanced evaluation.

(b) Assess the impact of exchange rate changes on economic growth for a country.

(10)

The exchange rates of currencies have a massive impact on the ways countries can approach trying to achieve ~~the~~ economic growth. If a country has a strong ~~strong~~ currency it means that imports will be less expensive to bring in but it also means that their exports will become more expensive reducing the demand for their products abroad. This goes both ways though and if a country has a weak currency it means imports will be more expensive to bring in and exports will be cheaper. On the surface that may seem like a bad thing as the country will be making less per item by exporting overseas. But in reality it offers a lucrative opportunity to sell a much higher quantity of goods as the demand will be higher for the cheaper products. An example of this is in China, where China intentionally weakens their currency, the yuan, for this purpose of making their goods cheaper at export and increasing

their demand. This increase in demand makes China a very popular place to import from and ~~the~~ having that weaker currency thanks to the exchange rate is very beneficial and has a big impact on China's economic growth.



ResultsPlus
Examiner Comments

This is a level 3 response and gained 5 marks. Although there is a reasonable understanding of how exchange rate affect trade there is very little on how this affects economic growth (which is the point of the question).



ResultsPlus
Examiner Tip

Think about what the question is looking for and make sure you address it as you are writing.

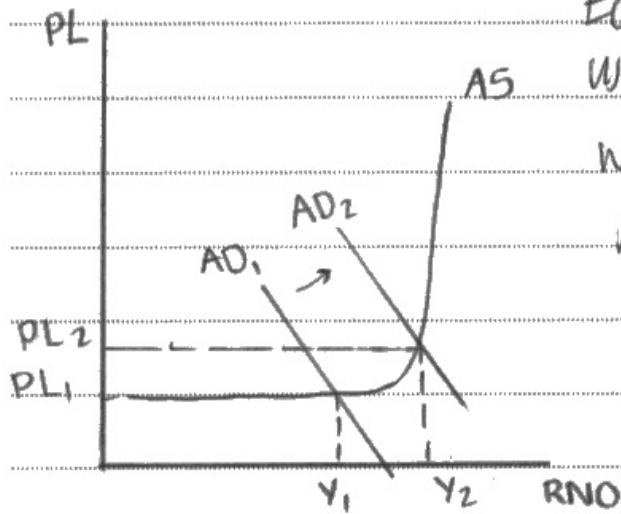
Question 1 (c)

While there were many accurate diagrams produced for this question, there were also a large number of incomplete or inaccurate offerings which did little to help the quality of the response. In some responses fiscal policy was confused with monetary policy or supply side policy. Too many candidates drew a diagram and did not subsequently refer to it in their answer.

On the plus side, many candidates demonstrated good understanding by linking an expansionary fiscal policy to a shift in the AD curve and were able to illustrate this on the diagram by showing an increase in growth, then going on to state that this would cause inflation. Many just left it there without considering whether this would actually happen or not. Stronger responses used their diagrams to show that it depended on where the AD curve was in relation to the AS curve as to whether the impact was inflationary or not. It was pleasing to see that some students used recent economic events to provide context to their answers such as the 'eat out, to help out' campaign.

(c) Using a suitable diagram, assess the use of fiscal policy to stimulate economic growth.

(12)



Economic growth can be stimulated using an expansionary fiscal policy, which involves more government spending and lower taxes*. This would work as government spending is an injection into the economy and also a component making up 25%.

of AD. Hence increased government spending through a \$1.4 trillion expansionary fiscal policy in the US will cause an outward shift of AD (as shown on my diagram) and boost economic growth both directly, as the G component of AD will rise, but also indirectly as government spending will 'create many new jobs' (stated by extract C), which will provide people with income to increase their consumption, another component accounting for 65% of AD.

Hence, this highlights how the economy benefits directly & indirectly and how fiscal policy could be used to stimulate growth or, especially in advanced economies where growth is predicted to fall to 3.6% in 2027.

However, to a lesser extent, a drawback of using an expansionary fiscal policy is that there is a risk of ^{demand pull} inflation (as stated by extract C), due to the significant increase in AD that it'll cause. Hence, this is why economic growth may

be best stimulated by combining an expansionary fiscal with a contractionary monetary in order to prevent an un-sustainable increase in AD. Although, ~~this was~~ the risk of inflation would only be a significant limitation if the economy was operating at close to full capacity. If the US has spare capacity in the economy, an expansionary fiscal policy (high gov. spending and low taxes) can achieve non-inflationary economic growth.

* Taxes are a leakage from the economy and reduced taxes will increase people's disposable incomes. This, combined with increased government spending, will stimulate economic growth.



ResultsPlus
Examiner Comments

A good level 3 response that gained 9 marks. Accurate knowledge and understanding supported by a relevant diagram with an awareness of competing arguments.



ResultsPlus
Examiner Tip

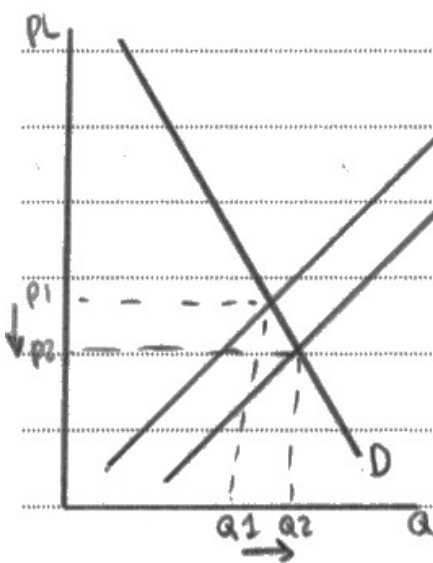
If you are asked to draw a diagram make sure you refer to it in your response and use it to support your arguments.

(c) Using a suitable diagram, assess the use of fiscal policy to stimulate economic growth.

(12)

Fiscal policy is the use of government spending and taxation to stimulate the (manage the) economy. The global economy had a detrimental fall in economic growth in 2020 amidst the pandemic global growth fell to -3.3% . Thus in order to be able to stimulate the economy back on track to achieving its objectives of sustainable levels of economic growth intervention was needed.

The IMF predicted a ~~growth~~^{rise} to 6% global growth in 2021 which will fall to a sustainable level of 4% in 2022.



government spending on subsidies and recovery, i.e. through schemes such as eat out to help out where the gov funded service sectors in order to aid recovery can lead to an ^{outward} shift in ^{demand} production within an economy. Reduced price levels and the introduction of programmes stimulates consumption within an economy

further stimulating economic growth. The roll out of vaccinations increased consumer's sense of safety to the virus and led to more people leaving their homes ~~in order to~~^{and consuming} goods and services.

The US is planning on borrowing 1.9 bn for spending (gov spend - fiscal policy) to create jobs and stimulate recovery, though its argued these expansionary policies can have alternative effects.

The economy ~~is~~ ^{going} from negative growth to rapid upturn. If growth means demand in the economy is rising rapidly. This demand can ~~lead to~~ exceed supply. especially in a damaged economy where the effects of the pandemic had huge impacts on employment and shifts in industries. This means the excess d can lead to demand pull inflation, which can in turn lead to reduced consumption due to price rising. This can stabilise the economy but can also lead to reduced economic growth once again due to increased imports as they may be cheaper ^{and} increased saving as the uncertainty of the market and the ~~MC~~ ^{MC} prices can increase leakages in the economy.



ResultsPlus
Examiner Comments

A level 2 response that gained 3 marks. Although it has some elements of knowledge and understanding the diagram is unsuitable and does nothing to help the answer.

Question 1 (d)

This question proved to be accessible for the majority of candidates who were able to discuss how economic growth may be linked to negative externalities. Many used their own examples to good effect. Some just repeated the evidence and then seemed to think that the problem could be solved by following Germany's example. More reasoned responses went on to consider whether this was a practical solution and the costs and other trade-offs that might be involved in following such a policy. Good use was made of China and India in considering how the trade-off might differ for more developed and less developed economies and how that might affect the global situation.

(d) Evaluate the extent of the trade-off between economic growth and negative externalities.

(20)

Plan: Introduce growth, and externalities.

⊕ In some cases, growth can be sustainable ^{Green} and ~~anti-inflationary~~ ^{Supply Side}.

⊕ Growth can be equal too, grow with a ~~low GDP~~, and allows for re-investment.

Reality.

⊖ most growth is not green ^{2.5m / 2m air pollution deaths.} (China + India, massive growth).

⊖ Inequalities often aren't dealt with, and go hand in hand with growth.

Answer ↓

Following the pandemic, which caused a contraction of ~~3.3%~~ 3.3% of the world's economy in 2020, growth is now on the rebound across the world - the UK ~~had~~ had 7% in 2021, India ~~had~~ had a staggering 21% growth in Q2 of 2021. However, growth can come with externalities, such as pollution and poverty, so to what extent are these dealt with and caused by growth?

In a perfect world, growth can be sustainable and not damaging to the environment if a country uses renewable energy and reduces its waste. Some countries are getting close to this kind of growth, such as Germany, which is now nearly 50% powered by renewables. When growth is sustainable, ~~also~~ externalities like waste dumping,

~~and~~ climate change and air pollution need not be worried about, as it will not cause these. Even if a country is not perfectly sustainable, taxes on fossil fuels or tradeable pollution permits can be used to reduce a country's environmental damage.

Another perceived externality of growth is inequality, as the success of nations and economies is not always shared between all members, but, growth can help this. In the UK, a progressive tax system means that the richest pay more to Government and the poorest pay less, which helps to ~~reduce~~ even out incomes nationwide. Furthermore, ^{increasing} tax revenue can be spent on the NHS and benefits, which supports the quality of life of those out of work or struggling financially. Rapid growth of a country like China's, certainly reduced worldwide inequality, by reducing the percentage of people in absolute poverty in China from 88% to less than 1% (1981 → 2015). In both these cases, it is clear that growth can be supportive.

However, in reality, growth is not always this positive.

Most growth around the world is not powered by renewable energy, meaning the risks associated with climate change ~~are growing~~. ~~For example~~ and pollution do exist. India and China both rely heavily on coal for their

energy generation, and ~~have seen~~ ^{in 2017 had} a combined ~~2.5m~~ 4.5m people die from air pollution.

Also inequalities are often caused by growth, for example, MNCs like Nike or Apple export cheap labour in Asia - providing little economic injections here - whilst earning most their profit in Europe and America.

To conclude, growth (Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

certainly can cause externalities, and in most cases does, however, it does not always have to be a trade off, as good government policy ~~can~~ can allow growth to be fair and environmentally friendly.



ResultsPlus
Examiner Comments

A level 4 response that gained 16 marks. Good use of relevant evidence, logical chains of reasoning and balance.

(d) Evaluate the extent of the trade-off between economic growth and negative externalities.

(20)

Negative externalities are detrimental effects on third parties that are neither producers nor consumers of a product or service. They are often caused by the need for businesses and economies to grow with little regard for the long term. These externalities can involve damage to the environment, and impacts on peoples' health and wellbeing. A trade off is when having more of one thing leads to having less of another. In this scenario, increased economic growth can allow for the disregard of other important issues. For example, in extract D, the transport system could make up a quarter of global economic output. This could be because businesses can much more easily transport goods between countries and regions and people can cheaply travel for employment reasons. Despite these important factors for economic growth, there are many negative externalities associated with transport. These include noise pollution, destruction of environments and habitats as well as carbon emissions released from energy production needed for the operation of transportation. Carbon emissions caused by burning fossil fuels can lead to increase in global temperatures and, as a result, extreme weather events.

rising sea levels and draught. On the other hand, this trade-off may not need to be ~~for~~^{to} a large extent as the ~~populat~~ production of energy switches to more renewable sources and more vehicles become powered by electricity rather than fuel made ^{up} of compounds found in crude oil. These developments could limit negative externalities whilst transport can continue to grow the global economy. In conclusion there can be a trade-off whereby growth of an economy can result in negative long and short term effects such as flooding caused by the gradual increase in global temperature due to burning fossil fuels. However, progress can be made to minimise the negative externalities whilst encouraging extensive growth of the economy and thus ~~reduce~~^{improve} the trade-off.



ResultsPlus
Examiners Comments

A level 2 response that gained 8 marks. A descriptive response that is rather general and does not develop its chains of reasoning. There is some balance and a conclusion that just repeats previous points.

Question 2 (a)

The term 'employment patterns' was widely misunderstood and unfortunately far too many candidates failed to score any marks at all. Most discussed employment totals which is not the same thing at all. Centres do need to make sure that they have covered the specification in full.

Better responses based their answer on the move that would occur from the primary sector to the secondary sector as economic growth took place and Vietnam became more industrialised. The growth of the tertiary sector, backed up by use of evidence from the extracts, was a further line of development.

Centres should note that although there is no requirement to provide a conclusion on this question, balance (assessment) is definitely needed. A number of otherwise good answers failed to do this and just described the changes without comment.

2 (a) Discuss the possible impact of economic growth on employment patterns in a country such as Vietnam.

(8)

One impact of economic growth on Vietnamese employment pattern is a decrease in employment. High economic growth implies that Vietnam is an emerging market. This means there will be less ^{likely} low skilled jobs as Vietnamese firms could opt to use machinery to replace low skilled workers. Also, the workers would have access to better technology and become more skilled which allows ^{them to demand} higher wages. Extract F shows a 2% increase in economic growth rate from 4.8% in 2020 to 6.8% in 2021. This means that, as seen in extract I, there's a growth in the ~~the~~ manufacturing and service sector. Therefore, there could be a decrease in the overall workforce.

However, the economic growth could cause an increase in the workforce. Since there's a growth in the service and manufacturing sector, employers can hire and train a greater number of employees which means the workforce increases in size.



A level 2 response that gained 3 marks. Although it discusses employment in general, there is some merit in the points about the changing nature of work in relation to the manufacturing sector.

2 (a) Discuss the possible impact of economic growth on employment patterns in a country such as Vietnam.

(8)

In Vietnam's case the higher the economic growth the increased in employment rates as more jobs are created. There is a significant increase by 2% of GDP from 4.8% in 2020 to 6.8% in 2021. This shows that the country is becoming much more efficient in the long run meaning an increase in the labour workforce therefore more jobs have been created in 2021. This leads to an increase in efficiency and productivity levels. Therefore an increase in output.

Additionally the decrease in GDP from 7% in 2019 to 4.8% in 2020 shows that jobs have been lost and a rise in unemployment levels. This leads to a decrease in consumer spending as there is a large amount of the population not receiving an income. Therefore lowering productivity, living standards and overall GDP leaving Vietnam experiencing inefficiencies and becoming less competitive.



Unfortunately this response just discussed employment levels and not employment patterns. It scored 0 marks.

Question 2 (b)

This question was generally answered well with many candidates showing good understanding and being able to explain the benefits of membership of a trade bloc. Most used the example of Vietnam and RCEP from the evidence to illustrate their argument, discussing the potential opportunities offered by trade liberalisation. Balance was usually shown by looking at the threats posed to domestic businesses once trade barriers were removed or reduced. Good responses took this a stage further and looked at the size and nature of some of the other countries such as China and Australia and the nature of those potential threats.

(b) Assess the benefits of being a member of a trading bloc for a country such as Vietnam.

(10)

Being a member of a trade bloc allows a ~~country~~ country to ~~operate~~ exchange goods freely with one another without tariffs and quotas, within the trading bloc. Vietnam is now ~~in~~ in RCEP which contains ~~48~~¹⁵ members. A benefit of this for Vietnam is that it allows for trade creation. This is as Vietnam can now do trade with more efficient countries such as China and New Zealand ~~or~~ without having to pay ~~or~~ due to tariffs. This will increase the income for Vietnam to export goods and also allows Vietnamese citizens to access high quality goods from the countries within the trade bloc. Vietnam will benefit due to the factor of trade creation as they are now with more efficient producers.

However being a member of a trade bloc may instead actually cause a decrease in ~~exports~~^{exports} for Vietnam, other countries within the bloc may have cheaper goods and may may face ~~competition~~ competition from Thailand or Singapore who may sell their goods at a cheaper price. Consumers in Vietnam may choose to purchase goods from other countries as they

may be cheaper. This would increase imports in Vietnam, whilst exports will not, ~~due~~ to competition from other ~~top~~ members. This would reduce the gap between exports and imports, which will decrease aggregate demand within Vietnam. Therefore being a member of a trade bloc does not guarantee there will be more success for the Vietnamese economy.



ResultsPlus
Examiner Comments

A level 4 answer that gained 9 marks. Good use of evidence with coherent chains of reasoning, understanding and a balanced awareness of competing arguments.

(b) Assess the benefits of being a member of a trading bloc for a country such as Vietnam.

(10)

One benefit for being in a trading bloc for Vietnam is access to a large market. This is because as Vietnam moves to become a high tech manufacturer, the RCEP would help it reach large consumer markets. As a result, what firms are more likely to become MNC's and export large amounts with the RCEP's reduced tariffs. This may mean Vietnam's trade deficit is reduced as ~~is~~ exports increase.

✖

Although that may not be as important as an increase in GDP, this is because the World Bank forecasts a 1.5% increase in GDP for all RCEP members. This means that firms may increase sales as households' disposable income increases. As a result, the increased demand may increase price which may act as a signal for FDI, further boosting Vietnam's economy.



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Examiner Comments

A level 2 response that gained 4 marks. The first part shows elements of knowledge and understanding with limited development, the second part is not relevant to the question.

Question 2 (c)

MNCs are an accessible part of the specification and most students made a reasonable attempt at the question. Responses looked at a wide range of impacts including job creation, skills transfer, improvements to infrastructure and tax revenues. Balance was usually good and centred around transfer pricing, the footloose nature of MNCs, environmental damage and possible exploitation of the workforce. More thoughtful answers examined the likelihood of these negative impacts by looking at individual MNCs and the degree of control in the host economy. It was pleasing to see many examples being used from wider reading and study to reinforce arguments.

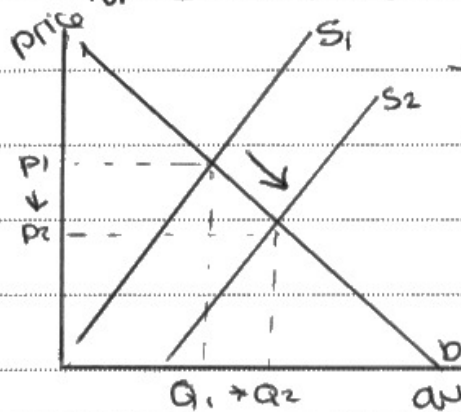
Question 2 (d)

This was mostly a well answered question but a minority focused on the trade opportunities for developing economies instead of those of European businesses, which was not the question set. This illustrates the need for candidates to read the question wording carefully and think about their response before putting pen to paper. For the most part, most were able to discuss the possible opportunities for European businesses posed by the economic growth of developing economies with some development. Balance often took the form of the likelihood of the developing economies growing and posing a threat to the market share of the European businesses. Some good responses did not see it a win or lose situation but looked at the nature of the products or services and their price elasticities; others balanced the short run against the long run. Less convincing responses suggested that European businesses should re-locate production to the developing economies to take advantage of cheaper labour costs. This rather ignored the likelihood that as these economies grow, so too do wage rates and other costs of production.

(d) Evaluate the impact on European firms of the growing economic power of emerging economies in South East Asia.

(20)

Emerging economies such as BRIC or those in South East Asia are constantly changing economies that are mainly powered by the output they manufactured. The six largest ASEAN countries are all expected to have positive growth rates in 2021 and as high as 8.5%. Unlike the UK that GDP has just decreased to 0.2%, due to oil and gas prices rising along with the impact of COVID, this would have a negative impact on European firms as many investors and suppliers would now be moving to or looking to invest in South East Asia such as Vietnam in order to make profits. Due to an increase in investment South East Asia would be able to operate more efficiently leading to an increase in output, therefore able to offer goods and services at a lower price. This causes a



the supply curve to shift to outward as there is an increase in supply. Therefore lowering prices for consumers.

This would make emerging

economies in South East Asia much more competitive and regain consumers from European firms. Overall this would have a negative impact on European firms as they are having to compete with lower prices within the market. ~~The~~ leading to a loss of sales and ~~profit~~ profits. Therefore having a knock on effect and decreasing government revenue as no profits are being made, ~~making~~ ~~over~~ ~~all~~ ~~to~~ solve this European ~~and~~ governments can place tariffs and quotas on South East Asia products to make them more expensive and ~~to~~ theoretically boost sales for European firms. Making imports more expensive.

Additionally South East Asia would have a lot more control over the market as they would be gaining market share from increased investment and reduced protectionist measures meaning they are able to lower their average unit costs and increase the growth of the manufacturing sector, leaving them with a advantage against European firms. Overall it all depends on the quality

of the product and whether the customers are willing to buy these products in a cost of living crisis. Otherwise demand will not be present.



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Examiner Comments

A level 2 response that gained 8 marks. A rather one-sided answer that lacks balance and occasionally wanders away from the point of the question.



ResultsPlus
Examiner Tip

It can be easy to lose sight of the focus of the question under pressure in the exam; keep checking your answer as you write to make sure that you are answering the question set by the examiner.

(d) Evaluate the impact on European firms of the growing economic power of emerging economies in South East Asia.

Spred 10

(20)

Emerging economies are growing. They have rising investment and diversify production through increasing high skilled manufacturing and to some tertiary sector services.

One impact on European firms of the growing economic power of emerging economies is that they could take away market share. For example, emerging economies such as Vietnam and Malaysia are expected to provide an extra \$200 billion to the global economy by 2030. This suggests that Malaysian firms could create rival products to European firms. For example due to growing skills, they could create a rival plane manufacturer to French owned Airbus. By these South East Asian companies could join together like the UK + France did for Airbus to create a rival plane. This could reduce Airbus' share of the global commercial plane market. As a result, they could see a fall in sales and subsequently lower profit. In the long run, this could reduce their competitiveness as they may not have any retained profit to reinvest in more fuel efficient or larger planes. Another negative impact is that if European companies such as Dyson offshore in these growing emerging economies, they could experience higher costs. For example, Dyson operates in Malaysia and did this to reduce on wages. However, Malaysia is expected to grow 7.1% in 2021. As the economy grows, wages rise to stay in line with inflation. Due to the inflation, Dyson would have to pay higher

wages or employees in Malaysia may look to move to Chinese chip maker Foxconn's Malaysian plant who provides higher wages. As a result, Dyson could experience lower profitability unless they invest in a more automated production process using more capital intensive machinery to create the vacuum cleaners. This also increases costs suggesting the rise in power/economic growth of emerging economies increases costs.

However, one benefit to European firms of operating in emerging growing economies could be potential sales. For example, the German car manufacturer Audi could set up production facilities in Vietnam. This is because they're expected to grow the most in 2021 at 8.5%. Audi could set up in Vietnam to capitalise on rising wages. As incomes rise, demand for luxuries such as the Audi A1 could rise. This could lead to increased sales for the German car brand in South East Asian countries which would result in higher profits. In addition to this, the European firms can sell their products in the declining stage of the product lifecycle to these emerging economies to extend their lives. Petrol cars are banned from 2030 in most European countries so car manufacturers could sell these cars to Vietnam reducing the need for costly investment in new car designs. Another benefit is that skills are improving. Currently, countries such as Vietnam have over 109 countries investing \$17 billion in Vietnam. This is because of the growing skills base in abundance in the country. As a result they

would experience lower training costs and can produce products at high capacity straight away. This could lower costs as output per worker is high leading to higher profit margins.

In conclusion, the growth of emerging economies benefits European firms. Although some market share could be lost, in the long term, they could benefit from the rising incomes as it increases potential customers. South East Asian countries have over 2.3 billion people so European businesses could target these people who have rising incomes potentially increasing sales.



ResultsPlus
Examiner Comments

A level 4 response that gained 16 marks. A good answer that uses outside examples well. It is balanced and shows a full understanding of the question. There is a conclusion but it adds little to the preceding arguments.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Do read the question carefully and answer the question that is set
- Do watch out for command words such as Assess or Evaluate
- Do use examples to illustrate your argument
- Do use the language of the subject and avoid generalities
- Do watch your timing and do not spend too long on one question
- Do write concisely
- Do add a conclusion to the longer questions

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

