Write your name here

Surname	Other names

Centre Number | Candidate Number

Edexcel GCE

Business Studies/Economics and Business

Advanced
Unit 3: International Business

Monday 24 January 2011 – 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 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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SECTION A

Answer ALL the questions in this section.

Evidence A

In the shadow of the pyramids

Egypt hopes in future to become a home for international call centres. The Egyptian Government has high aspirations for the country to become a base for call centres, outsourced service providers, software development and research. Oracle, Vodafone and Microsoft are just a few of the big names to locate services in the many business parks springing up in the shadow of the pyramids. 5

A recent report from the London School of Economics assessed the potential of 14 non-BRIC (Brazil, Russia, India and China) countries as offshore locations; it found that many other countries score highly as locations for offices overseas. Egypt, Vietnam and Morocco scored as the top locations in terms of cost, including labour, infrastructure and corporate taxes. Egypt also scored highly for skills availability, as did the Philippines and Mexico. The 10 report also claims that for many companies, it is not just about finding the cheapest place to work, 'it is also about finding new markets in which to expand and sell products and services.'

(Source: adapted from *The Times*, 14 April 2009)

Evidence B

Outsourced Call Centres: is Egypt the new India?

Xceed (the IT arm of Telecom Egypt) has set up a large call centre on the edge of Cairo and claims it is the largest call centre facility in the Southern Mediterranean region. Ahmed Refky, Vice President for Strategy and Business Development at Xceed, said that Egypt ' had more than 200,000 university graduates who are multilingual and have high communication skills. In addition, the infrastructure in Egypt is as good as that in many 5 European countries. The location of Egypt and our time zone is also a factor that facilitates providing customer service around the clock.'

The centre has won a contract for providing customer support for Microsoft clients in Europe and the Middle East. Xceed also takes calls for Oracle, Neuf Telecom (France) and General Motors. 10

The majority of the population of 70 million in Egypt is under 25 years of age. It has a large pool of skilled human capital, with more than 21,000 professionals in IT. Pay is less for Egyptian IT staff than in competing countries.

(Source: http://www.callcentrehelper.com/outsourcing-is-egypt-the-new-india-5.htm)

1 Briefly analyse why 'new markets in which to expand and sell products and services' may be important to some companies.

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(Total for Question 1 = 6 marks)

2 Analyse **two** possible reasons why companies such as Vodafone and Microsoft may prefer to outsource to Egypt rather than China.

(Total for Question 2 = 8 marks)

3 Assess the likely impact of Egypt's expanding IT industry on European IT businesses.

(Total for Question 3 = 9 marks)

***4** Evaluate the importance of cheap labour costs to a company's decision as to where to outsource production.

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A: 35 MARKS

SECTION B

Answer ALL the questions in this section.

Evidence A

BAT hopes to strike lucky in Indonesia

British American Tobacco (BAT), the world's second-biggest cigarette maker, whose top brands include Lucky Strike, Dunhill and Pall Mall, is buying a controlling stake in Indonesia's fourth-biggest tobacco firm for $494 million (£302 million).

The deal gives BAT its first taste of kretek, a cigarette made with tobacco and cloves.

Indonesia, where 93 per cent of all cigarettes smoked are kretek, is seen as one of the most promising emerging markets for tobacco. About a third of the country's 248 million people smoke, making it the fifth-biggest tobacco market by volume and among the ten most profitable. Indonesia has the largest economy in Southeast Asia and is also a member of G 20.

In the past decade BAT has entered a number of emerging markets, including Turkey, Egypt, Vietnam, South Korea and Nigeria. In February 2008, it bought the Turkish state tobacco company for £1 billion. BAT followed this with a £2.05 billion takeover of Scandinavia's leading tobacco group.

(Source: adapted from *The Times*, 18 June 2009, Ian King, Deputy Business Editor)

Evidence B

BAT's big wheeze – the alternative ASH report

(ASH: Action on Smoking and Health – an anti-smoking pressure group)

BAT says it has a 'unique relationship' with a quarter of a million tobacco growers worldwide. Our report shows how BAT charges Nigerian producers high prices for the specialist equipment needed and pays low prices for the tobacco they grow.

BAT says it is opposed to attempts to addict children to nicotine, and hence to cigarettes. Our report shows how BAT has flooded Pakistan with advertising and sponsorship that appeal directly to teenagers, and how it has designed its promotions in Russia to appeal to young women.

BAT says that 'environmental issues and health and safety' are high priorities for the company. Our report shows how small-scale Brazilian and Kenyan tobacco farmers are given pesticides by BAT, which they then use without proper protection. Meanwhile, in Uganda, tobacco growing results in forest destruction – it takes between ten and forty tonnes of dry wood to cure one tonne of processed tobacco.

(Source: adapted from http://old.ash.org.uk/html/conduct/pdfs/batbigwheeze.pdf)

Evidence C

Tribe files lawsuit against Freeport in Indonesia

Lawyers representing an Indonesian tribe have filed a lawsuit against U.S. mining company Freeport, demanding $30 billion in damages for environmental and human rights violations.

The Freeport mine has frequently been targeted by rights groups and environmental campaigners who claim it is stealing the region's wealth, evicting local people from ancestral lands and polluting the environment. 5

(Source: http://www.businessweek.com/ap/financialnews/D99TV25O2.htm, 7 August 2009)

Evidence D

The effects of multinational production on wages and working conditions in developing countries

Multinationals can have many positive and negative impacts on host-country workers. The popular press is full of stories about foreign workers who work for multinationals for long hours and low wages, under horrific conditions, in low-income countries, to produce goods for Western consumers.

However, there is virtually no consistent evidence that this is true. In fact, there is a very large body of evidence indicating that the opposite is the case. Foreign ownership raises wages both by raising labour productivity and expanding the scale of production, and, in the process, improving the conditions of work. 5

(Source: adapted from Drusilla K. Brown, Tufts University, Alan V. Deardorff and Robert M. Stern, University of Michigan, http://www.spp.umich.edu/rsie/workingpapers/wp.html by IRWAN FIRDAUS, JAKARTA, Indonesia)

5 Explain the relevance of the product life cycle to BAT's decision to enter into emerging markets.

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(Total for Question 5 = 6 marks)

6 Analyse why there might be a conflict between ethical behaviour and profitability in the cigarette industry.

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(Total for Question 6 = 6 marks)

7 Assess the likely benefits for BAT of expanding by mergers and takeovers.

(Total for Question 7 = 8 marks)

8 Evaluate the extent to which the activities of multinationals such as BAT or Freeport can be controlled.

(Total for Question 8 = 10 marks)

***9** Evaluate the impact of multinationals on the economic development of countries such as Indonesia.

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(Total for Question 9 = 15 marks)

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

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