Write your name here

Surname	Other names

Edexcel GCE

Centre Number	Candidate Number

Business Studies/Economics and Business
Advanced
Unit 3: International Business

Wednesday 12 June 2013 – 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.

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SECTION A

Answer ALL the questions in this section.

Evidence A

Telecoms manufacturer makes move to South America

Despite the distance it used to be more cost-effective for most technology products to be manufactured in China and then exported to countries in South America. However, Brazil's high import tariffs are starting to force Chinese companies to begin manufacturing operations in Brazil.

ZTE, China's second-largest telecom equipment manufacturer, now estimates that if they manufactured their products in Brazil, they would cost a third less than importing the same products from China. ZTE has announced plans to build a factory close to Sao Paulo in Brazil. ZTE's investment is estimated to be worth several hundred million US dollars and is likely to create 2,000 jobs.

(Source: adapted from Brazil & China The New Trade Routes, *Financial Times* Special Report, 23 May 2011)

Evidence B

Commodities shape Brazil's economy

Brazil is known for its growing consumer markets and commodity-rich economy. Much of this growth is due to the rise of China's economy.

China's increasing demand for commodities, such as iron ore and soya, is pushing prices higher. This has been the basis of a $100bn increase in export revenue, which has made possible much of Brazil's spending on social improvement.

The number of Brazilian companies importing from China rose by 24 per cent between 2010 and 2011. In the past two years the strength of the Real, Brazil's unit of currency, has made Chinese products much cheaper than their Brazilian competitors. Brazil's policymakers have now begun to worry about the negative impact, on local industries, of increasing Chinese imports and Chinese foreign direct investment (FDI).

Brazilian manufacturers face problems as China increases FDI into the country. Machinery manufacturers, such as Sany Heavy Industries, car companies and motorbike makers, have all recently set up operations in Brazil.

(Source: adapted from Brazil & China The New Trade Routes, *Financial Times* Special Report, 23 May 2011)

1 Explain **two** likely reasons why Brazil imposed high tariffs on Chinese imports.

(Total for Question 1 = 6 marks)

2 Analyse **two** effects that a strengthening Real (Brazil's currency) might have on Brazilian businesses.

(Total for Question 2 = 8 marks)

3 Assess the likely problems for the Brazilian economy of specialisation in commodities.

(Total for Question 3 = 9 marks)

***4** Evaluate the impact that increasing Chinese FDI could have on the Brazilian economy.

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 35 MARKS

Turn over

SECTION B

Answer ALL the questions in this section.

Evidence C

Chinese Wealth Report 2011

There are a million millionaires in China. They each have a personal wealth of 10 million RMB or more (GBP 950,000/US$ 1.5 million).

Consumers of luxury goods in China are different from those in the Western world, in terms of their demographics, needs and length of experience in buying luxury goods. These Chinese consumers are, in general, younger, mainly under 40 years old, newly rich and looking for social success and accomplishment. The luxury goods the millionaires buy, defines for them their wealth and status, compared to other social classes.

(Source: adapted from Chinese Wealth Report 2011 – found at http://www.hurun.net/usen/Default.aspx)

Evidence D

Beijing embraces McQueen designer brand

PPR owns a number of luxury designer brands that operate in global niche markets. These include Alexander McQueen, Gucci, Stella McCartney and YSL. In late 2011 PPR opened its first Alexander McQueen store in Beijing. It is the first British brand owned by PPR to open a store in China. PPR plans to expand and open further stores – such as Stella McCartney – elsewhere in China over the next few years.

(Source: adapted from The Times, 12 September 2011)

Evidence E

Consumers 'ignorant' of multinationals behind ethical brands

According to a survey published by the consumer organisation 'Which?', most consumers are unaware of the multinational parent companies behind so-called ethical brands, such as Rachel's Organic, Seeds of Change and Green & Black's. Two-thirds of those surveyed rated environmental and ethical issues as important when deciding which brands to buy, but they viewed ethical brands and their parent companies quite differently.

For example:

- 44% associate Green & Black's (producer of premium chocolate) with social responsibility compared with only 15% for its parent company Kraft Foods.
- 71% associate Seeds of Change (which produces a range of organic products) with environmental responsibility, compared with only 15% for the confectionery giant Mars, its parent company.

(Sources: adapted from The Guardian, 25 January 2011)

Evidence F

Most Profitable and Most Ethical Companies 2011

Most Profitable Companies 2011 (rankings by Fortune Magazine's Global 500 report)		**Most Ethical Companies 2011** (rankings by Swiss company Covalence)	
1	Nestle	1	IBM
2	Gazprom	2	Intel
3	Exxon Mobil	3	PepsiCo
4	Industrial and Commercial Bank of China	4	Cisco
5	Royal Dutch Shell	5	Unilever

(Source: adapted from
http://money.cnn.com/magazines/fortune/global500/2011/performers/companies/profits/
and http://www.environmentalleader.com/2011/02/07/ibm-intel-pepsi-top-ethics-rankings/)

5 Explain **two** likely reasons why PPR is keen to expand into China.

(Total for Question 5 = 6 marks)

6 Explain **two** benefits for PPR of owning brands that operate in global niche markets.

(Total for Question 6 = 6 marks)

7 Assess the likely importance of brand names to a business such as PPR when trading internationally.

(Total for Question 7 = 8 marks)

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8 Assess the extent to which a positive ethical image might determine a company's international success.

(Total for Question 8 = 10 marks)

*9 Evaluate the likely impact of China's growing wealth on UK businesses.

(Total for Question 9 = 15 marks)

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

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