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Business Studies/Economics and Business

Advanced

Unit 3: International Business

Monday 12 June 2017 – 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.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- The marks available for spelling, punctuation and grammar are clearly indicated.

Advice

- Read each question carefully before you start to answer it.
- 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 questions in this section.

Evidence A

Vietnam Cuts Import Tariffs on Oil Products – 2015

Vietnam's Ministry of Finance has reduced the tariffs on certain petroleum products. This is to prevent a rise in domestic fuel prices when the government raises environmental taxes.

Vietnamese import duty rates on petroleum products are due to fall, because of its free trade agreements (FTA) with other members of the Association of Southeast Asian Nations (ASEAN). 5

In addition to this, the Ministry has announced that the duties from non-FTA countries on gasoline and kerosene have been cut by 15%.

(Source: adapted from http://www.tax-news.com/news/Vietnam_Cuts_Import_Tariffs_On_Oil_Products_67829.html)

Evidence B

India crowned world's fastest growing aviation market in 2015 as economy takes off

India was the world's fastest growing aviation market in 2015, expanding by more than 20% as economic growth on the subcontinent increased. India's growth in the air travel industry outpaced the 10% growth registered in China and the 5% increase in the United States, according to the International Air Transport Association.

India and China are among the fastest-growing markets for aircraft manufacturers Airbus and Boeing; they forecast that Asia will overtake the US as the world's largest aircraft market within the next two decades. Boeing has estimated that India will need 1,740 new planes valued at \$240bn over the next 20 years. 5

Foreign airlines are looking to gain entry into the Indian market. Both Singapore Airlines and AirAsia have started new airlines as joint ventures with Tata, the giant Indian multinational company. India is forecast to have almost 30 million outbound tourists by 2018. 10

(Source: adapted from <http://www.telegraph.co.uk/finance/economics/12077311/India-crowned-worlds-fastest-growing-aviation-market-in-2015-as-economy-takes-off.html>)

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2 Analyse **one** advantage and **one** disadvantage of a joint venture for businesses, such as Singapore Airlines and AirAsia.

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(Total for Question 2 = 8 marks)

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3 Assess the benefits to a country, such as Vietnam, of having free trade agreements.

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(Total for Question 3 = 9 marks)



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*4 Evaluate the likely impact of India's recent economic growth on multinational firms.

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(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 35 MARKS



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SECTION B

Answer ALL questions in this section.

Evidence C

Vietnam encourages farmers to go organic

Experts in Vietnam are debating the best direction for the country's agriculture industry. While agricultural resources are abundant, farmers remain poor. Therefore, some experts suggest turning to organic agriculture to earn money on the global market.

Nguyen Lam Vien is the deputy chair of the Vietnam association of enterprises that make high-quality products from Vietnamese produce, created by small-scale agriculture. He said "Organic farm produce is what Vietnam should strive for, it can be sold at prices 50% higher than normal products". He added "We cannot compete with produce from other export countries which have large-scale production. Therefore, it would be better for Vietnam to conquer global niche markets".

5

(Source: adapted from <http://www.freshplaza.com/article/153424/Vietnam-encourages-farmers-to-go-organic>)

Evidence D

Dong Nai is Vietnam's top destination for foreign direct investment (FDI)

The southern province of Dong Nai in Vietnam has topped the country in attracting FDI in the first two months of 2016. The province, which borders Ho Chi Minh City to the north and is home to several industrial parks, attracted US\$463m worth of FDI, accounting for 46% of its 2016 target and a rise of 3.4% compared to the same period last year.

5

Many of the world's largest companies from South Korea, Japan and China have invested in the province, including Fujitsu, Formosa, VPIC, Hyonsung, Changshin, and Taekwang. Thailand's Amata also owns a large-sized industrial estate in Dong Nai.

One of the main reasons for the increasing FDI inflow is investors are preparing for expected opportunities from free trade agreements, particularly the Trans-Pacific Partnership (TPP) Agreement.

10

FDI registered in Vietnam in total saw a year-on-year increase of 12.5% in 2015 to reach \$22.76 bn.

(Source: adapted from: <http://www.nationmultimedia.com/business/Dong-Nai-is-VNs-top-destination-for-FDI-30279997.html>)

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Evidence E

Vietnam's textile and clothing industry

The Vietnamese textile industry, with more than 3,800 companies, is the country's leading export sector. The country ranks fifth worldwide in textile and clothing exports and has a labour force in that sector of more than 2 million people, of whom 1.3 million are working directly in the industry.

Vietnam's textile and clothing industry has benefitted from increased foreign investment over the past several years and the textile and clothing trade grew consistently through the economic downturn of 2008–2009. The industry's greatest advantage is its low-cost labour and relatively young and stable workforce.

5

Major US retailers such as Sara Lee, JC Penney, Express, the Gap, Macy's, Nordstrom's, Mast Industries and American Eagle, source a sizeable proportion of their imports from Vietnam.

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(Source: adapted from http://trade.gov/topmarkets/pdf/Textiles_Vietnam.pdf)



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6 Explain **two** possible reasons why a business, such as Fujitsu, may want to invest in Vietnam.

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(Total for Question 6 = 6 marks)



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8 Assess the importance of low labour costs to a business's decision of where to locate its operations.

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(Total for Question 8 = 10 marks)



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***9** Evaluate the likely impact of increasing levels of foreign direct investments (FDI) on a developing economy, such as Vietnam.

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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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