



GENERAL CERTIFICATE OF SECONDARY EDUCATION

GEOGRAPHY B

B561/01/02/RB

Sustainable Decision Making (SDM) (Foundation and Higher Tier)

RESOURCE BOOKLET

Monday 14 June 2010

Morning

Duration: 1 hour

This Resource Booklet should be available to candidates for up to three working weeks prior to this date.



INSTRUCTIONS TO CANDIDATES

- This Resource Booklet must be handed in to your teacher at the end of each lesson. **You must not write on the booklet.**

INFORMATION FOR CANDIDATES

- The following abbreviations may be used:
 - MEDC – More Economically Developed Country.
 - LEDC – Less Economically Developed Country.
 - EU – European Union which includes the United Kingdom.
- This document consists of **12** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

- Do not send this Resource Booklet for marking; it should be retained in the centre or destroyed.

THE ISSUE:

LOGO, NO GO – ARE MULTINATIONAL COMPANIES IN NEWLY INDUSTRIALISED COUNTRIES REALLY SUSTAINABLE?





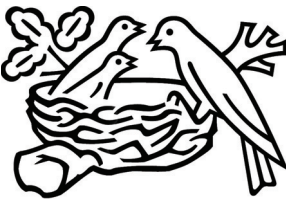





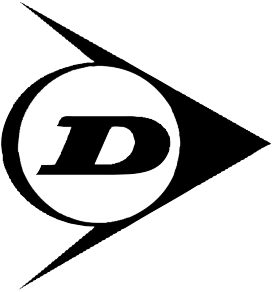

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RESOURCE 1

The use of logos

A logo can be a symbol, emblem, icon or sign which forms a trademark or commercial brand which can be easily recognised across the world. The following are all well-known logos of multinational companies.

 <p>Michelin French owned Makes tyres, maps, guides Locations in China and Brazil</p>	 <p>Kappa Italian owned Makes sportswear, footwear Locations in Argentina and Brazil</p>	 <p>Honda Japanese owned Makes cars, motor bikes Locations in India and China</p>	 <p>Shell British/Dutch owned Makes oil products, chemicals Locations in Nigeria and Malaysia</p>
 <p>Nestlé Swiss owned Makes coffee, soups, chocolate Locations in Ethiopia and Venezuela</p>	 <p>Apple American owned Makes computers, iPods Locations in Brazil and India</p>	 <p>Pepsi American owned Makes drinks, food snacks Locations in China and Mexico</p>	 <p>Nike American owned Makes sportswear, equipment Locations in Indonesia and India</p>
 <p>McDonald's American owned Makes hamburgers, chicken products Locations in Bangladesh and Egypt</p>	 <p>Kodak American owned Makes cameras, films, printers Locations in Thailand and Peru</p>	 <p>Dunlop British owned Makes tyres, gloves, optical fibres Locations in Malaysia and Sri Lanka</p>	 <p>Kangol British owned Makes bags, clothes, hats Locations in China and Pakistan</p>

RESOURCE 2

NICs and MNCs

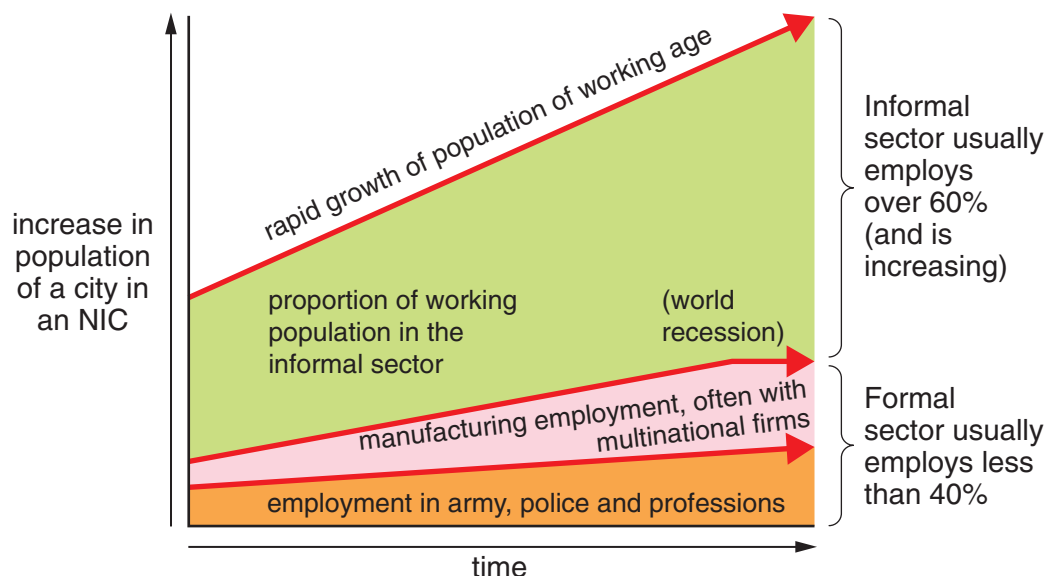
Newly Industrialised Countries (NICs) have developed economies based on manufacturing since the 1960s. Examples include Singapore, China, South Korea and Brazil. The governments of NICs have used a number of ways to achieve industrial development.

Way	Detail
Cheap loans and subsidies	Given to new industries
Restrict imports	Protect own industries from competition
Devalue currencies	Make exports cheaper
'Tax holidays' for overseas firms	No tax to pay for several years
Free trade zones set up	No customs duties
Trade union activity	Strikes banned
Health and safety regulations	Not enforced in many factories to cut costs
Education and training	Prioritised to attract foreign companies

Multinational (or Transnational) Companies (MNCs) operate in many different countries regardless of national boundaries. The headquarters are usually in more economically developed countries (MEDCs) with branch factories or outlets spread across the world, but increasingly in less developed areas. MNCs are believed to employ 40 million people worldwide and indirectly to influence an even greater number. The one hundred largest MNCs control nearly half of the world's manufacturing and several of the largest have a turnover higher than the total Gross National Product (GNP) for Africa.

However, it would be easy to overstate the importance of MNCs. The following graph shows that they are responsible for only a small proportion of employment in a city in an NIC.

Growth of the informal sector



RESOURCE 3

The advantages and disadvantages of MNCs

Advantages	Disadvantages
Provide jobs and relatively good wages to increase prosperity in the area, which can increase demand for consumer goods and services	Often locate research and development in home country, but pay lower wages abroad for low-skill assembly work involving long hours
Provide training to improve skills and technology which are transferred within and between countries	Bring in foreign nationals to fill the higher-paid jobs and management roles
Often develop new roads and services and bring investment into the country	Make goods for export, not for the host country. Mechanisation often reduces the size of the workforce
Increase foreign trade and bring in foreign currency	Take profits out of the host country, widening the gap between the 'rich' and 'poor' countries
Support other industries via the multiplier effect and help to widen the country's economic base	Close overseas factories first in times of economic recession
Taxes are paid to host governments, which help the development of basic services	May try to influence governments in host country
Provide expensive machinery and equipment which the host country cannot afford	Working conditions may be poor. Health and safety rules are sometimes ignored
Provide healthcare and education for their workers and families	MNCs' activities may cause environmental damage
Many of the projects have prestige value to the host country's government	Numbers employed are often small in comparison to the amount of the investment



RESOURCE 4

(a) Mars – an example of an MNC

Snack foods Galaxy, Bounty, M&Ms, Maltesers, Milky Way, Mars, Twix

Acumen business information and analysis services

Pet care Pedigree, Whiskas, Kitekat, Pal, Trill

Main meal Uncle Ben's, Dolmio, Yeomans

Vending systems in-cup drinks, e.g. tea, coffee

Plant-care Seramis

Mars Electronics International (electronic payment systems)



Headquarters in the USA

80 locations in more than 25 countries

Annual turnover of over US\$9 billion

Privately owned by the Mars family

Sells 56% of products in Europe

Employs 26000 people worldwide

Believes in socially responsible cocoa production

Works to protect the sustainability of rural livelihoods

Delivers practical farming knowledge direct to farmers

Incorporates good farming practices in cocoa growing regions

Is an excellent training ground for managers

Provides a safe working environment that encourages professional development

Committed to a culture free from all forms of discrimination

Provides equal opportunities in all aspects of employment

(b) MNCs in NICs – A Summary

Successes

- Manufacturing industry has developed from textiles and clothes to high-tech electronics
- Wages and living standards have risen
- Industries have grown and are now expanding globally

Problems

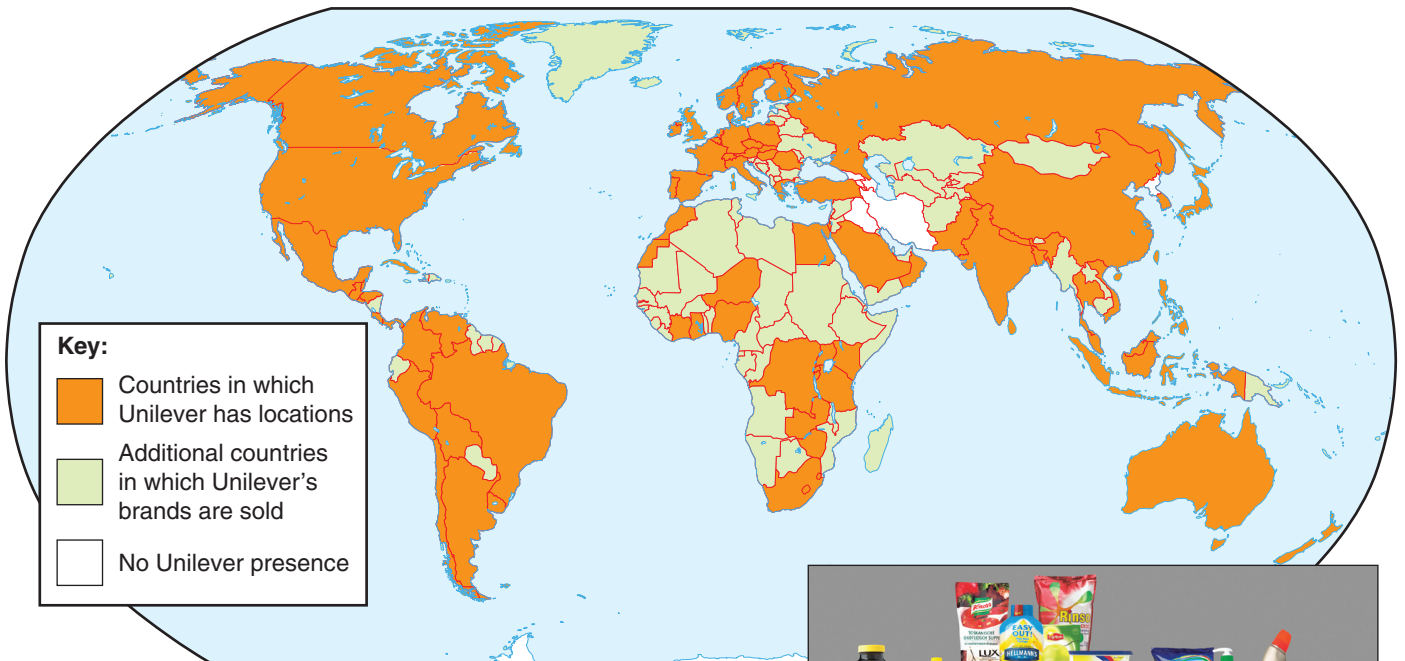
- 'Tax holidays' finish, so MNCs close factories and relocate in other countries
- Skill levels and wages rise, so workers in other LEDCs become cheaper, encouraging relocation
- NICs have borrowed heavily, so if growth slows, they face huge economic problems

RESOURCE 5



Unilever – an example of an MNC

This company is based in the UK and the Netherlands, but has branches in 90 other countries. It produces consumer goods such as detergents, frozen foods, margarine and hair shampoo. Its brand names include Persil, Colman’s mustard, Flora, Brooke Bond, Oxo, Wall’s ice cream, Calvin Klein cosmetics and Organics shampoo. Unilever buys its raw materials from many different countries and then makes the finished products in those countries or in the countries that form the biggest markets. Unilever has a reputation of caring for its workers at home and abroad and providing them with a good quality of life. It is also careful to avoid environmental damage at its production sites.



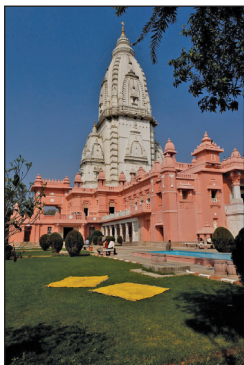
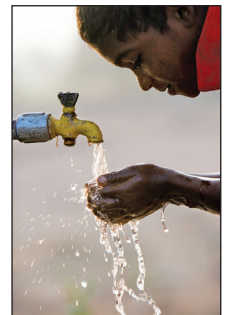
• Tea companies can ensure that the workforce and their families are provided with good standards of housing, healthcare and education



A range of Unilever products



• Housing and clean water supplies for employees



• Infrastructure for religious and cultural community support



• Family accommodation for employees on a tea estate in Southern India

A point of view about Coca-Cola in India

Arrogance and Impunity – Coca-Cola in India

By Amit Srivastava
India Resource Center.
August 10, 2006

How long will it take before the powers that be in India refuse to allow multinationals to treat Indians as guinea pigs?

In what can only be characterised as arrogance and impunity, we are learning that Coca-Cola and Pepsi have continued to sell soft drinks in India with dangerously high levels of pesticides - three years after even the government of India confirmed that these products were dangerous.

Unfortunately, the cola companies' transgressions run much deeper in India, both figuratively and literally.

In various parts of India, from Plachimada in south India to Mehdiganj in north India, communities living around Coca-Cola bottling plants are experiencing severe water shortages. The communities accuse the Coca-Cola company of creating water shortages because of over extraction of water and pollution of the scarce remaining water.

In Plachimada, Kerala, one of Coca-Cola's largest bottling plants has been shut down since March 2004 because of the intense community opposition to the plant. The Kerala State Pollution Control Board has also issued a stop order notice to the company's bottling plant because of the pollution by the plant.

In a highly irresponsible practice, the Coca-Cola company has located many of its bottling plants in India in "drought prone" areas, areas that were already experiencing severe water crisis. In Rajasthan, for example, a study by the Central Ground Water Board found that water tables had dropped 10 metres in just five years since Coca-Cola began its bottling operations in Kala Dera.

A formidable movement has emerged in India from these communities to challenge the Coca-Cola company for its indiscriminate exploitation of water resources and pollution.

The Coca-Cola company has been forced to acknowledge the growing discontent around its operations in India, but it is doing too little, too late. It has, instead, revved up its public relations machinery, a far cry from what the communities are demanding.

It may surprise many to know that Coca-Cola and Pepsi pay nothing for the water that they use in India, which runs in the hundreds of millions of litres every day. It is also a very wasteful industry, particularly when it comes to the valuable resource of water. It takes Coca-Cola nearly four litres of freshwater to produce one litre of product. In other words, the company converts seventy five percent of the freshwater it extracts into wastewater, which in turn has contaminated the scarce remaining groundwater and land.



RESOURCE 7

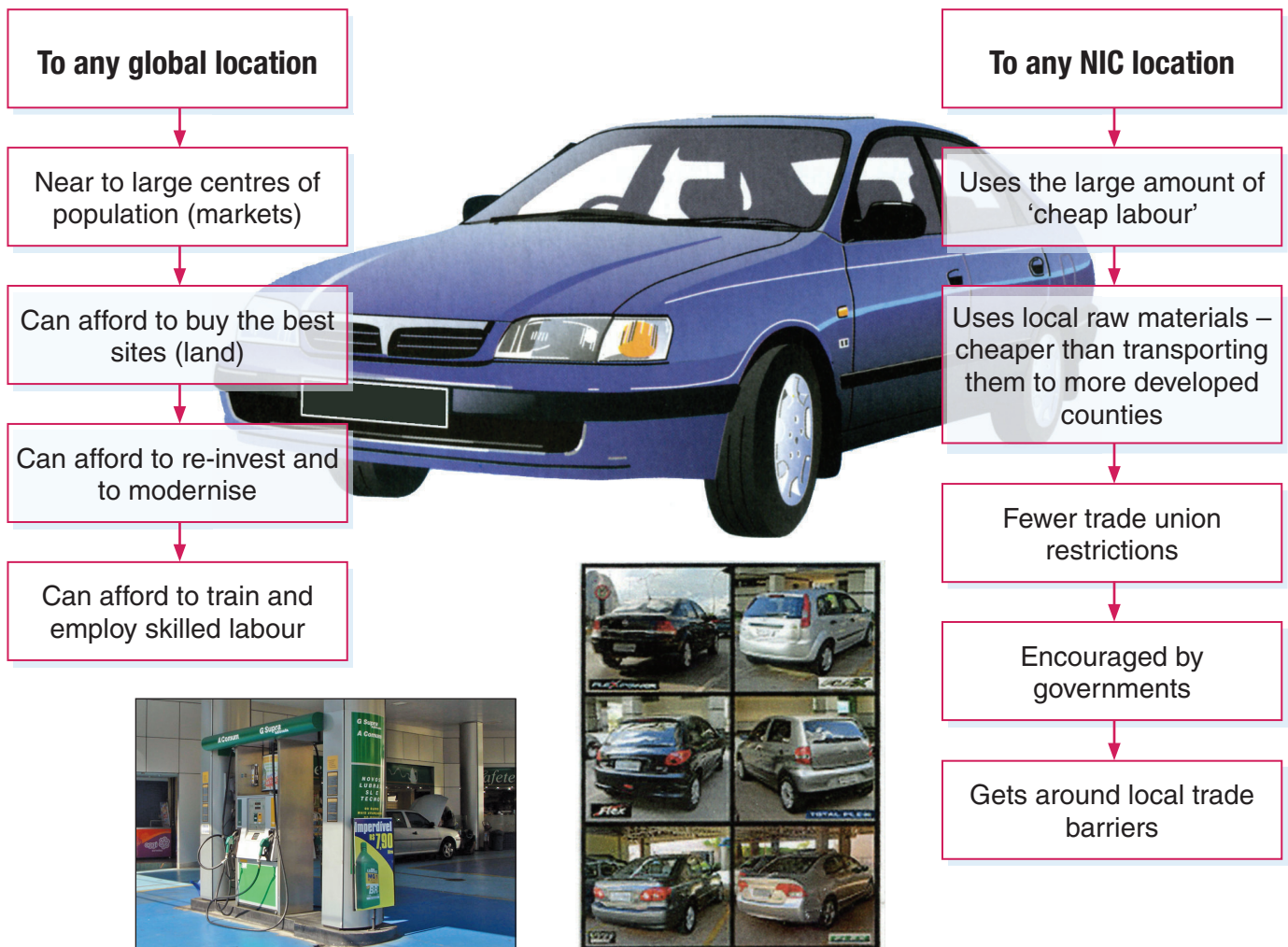
The automobile industry in Brazil

Introduction

The automobile industry is Brazil's top manufacturing sector in terms of sales figures. Although it began as just a few assembly plants in the twentieth century, the industry currently produces an average of over one million vehicles a year. They are built using components made in Brazil rather than being imported. The country ranks tenth among the world's motor vehicle producers, and General Motors, Ford, Fiat, Toyota, Volkswagen and Mercedes all have production and assembly plants in the country.

Automobile firms were amongst the first to become MNCs by taking advantage of making parts and manufacturing vehicles in several different countries. São Paulo is the headquarters for most of these MNCs, which control a large part of the Brazilian industry.

The Advantages of an Automobile Plant Site

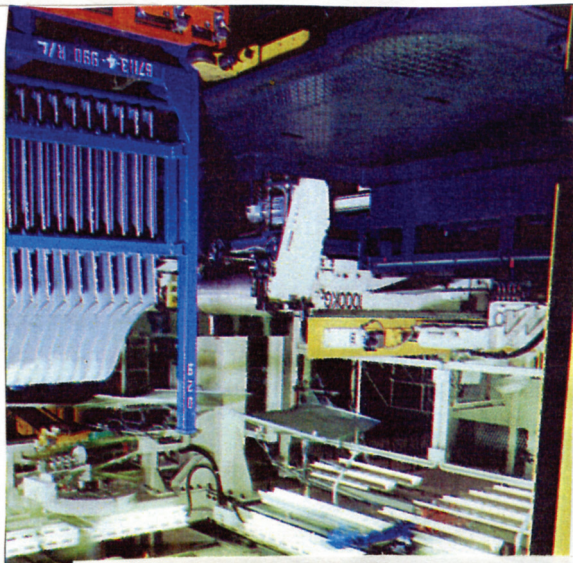


Brazil has ethanol fuel available throughout the country. Shown here is a typical Petrobras gas station at São Paulo with dual fuel service.

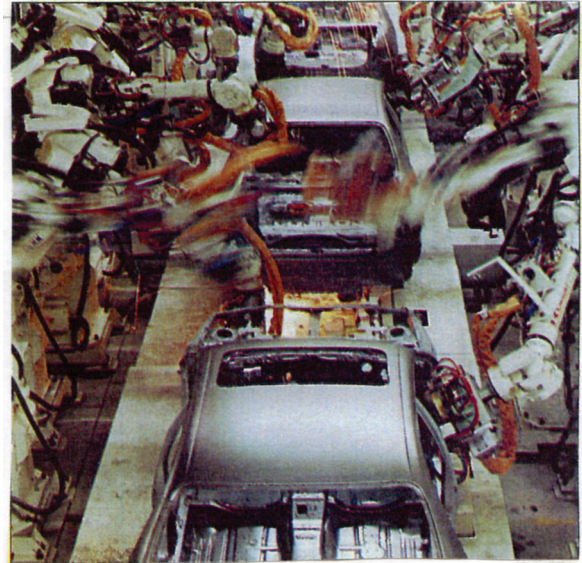


Six typical Brazilian flex-fuel models from several car makers, popularly called 'flex' cars, that run on any blend of hydrous ethanol and gasoline.

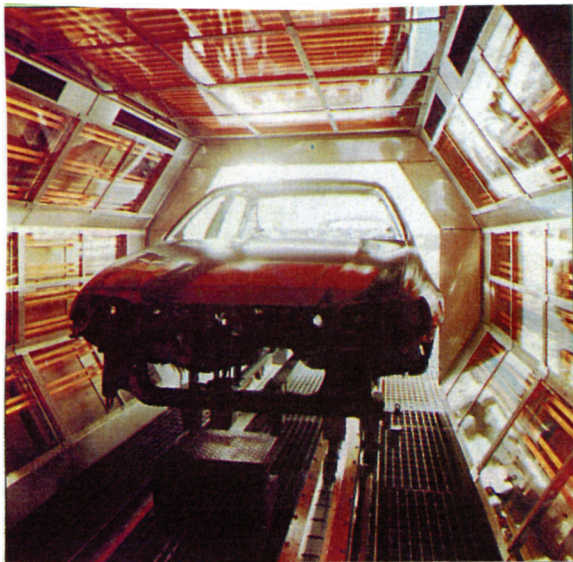
The production process in a Brazilian car assembly plant



1 Presses shape the body panels.



2 Robots weld the body shape together.



3 Paint is cured in ovens.



4 On assembly lines 2500 parts are fitted.

Recent developments in fuel technology in Brazil

- The car maker's willingness to invest to meet the Brazilian market's needs shows in the development of 'flex-fuel' engines which run on any combination of petrol and sugar cane-based ethanol. About half the fuel used by cars in Brazil is ethanol.
- For ordinary Brazilians, the attraction is that ethanol sells for little more than half the price of normal petrol, although its range is slightly shorter.
- The government is also keen on ethanol because the industry employs over a million people, saves on imports and provides insurance against high oil prices.
- Ethanol is also relatively clean, producing far less emissions than petrol, and is sustainable due to only taking up 2% of the land currently in agricultural use.



RESOURCE 8

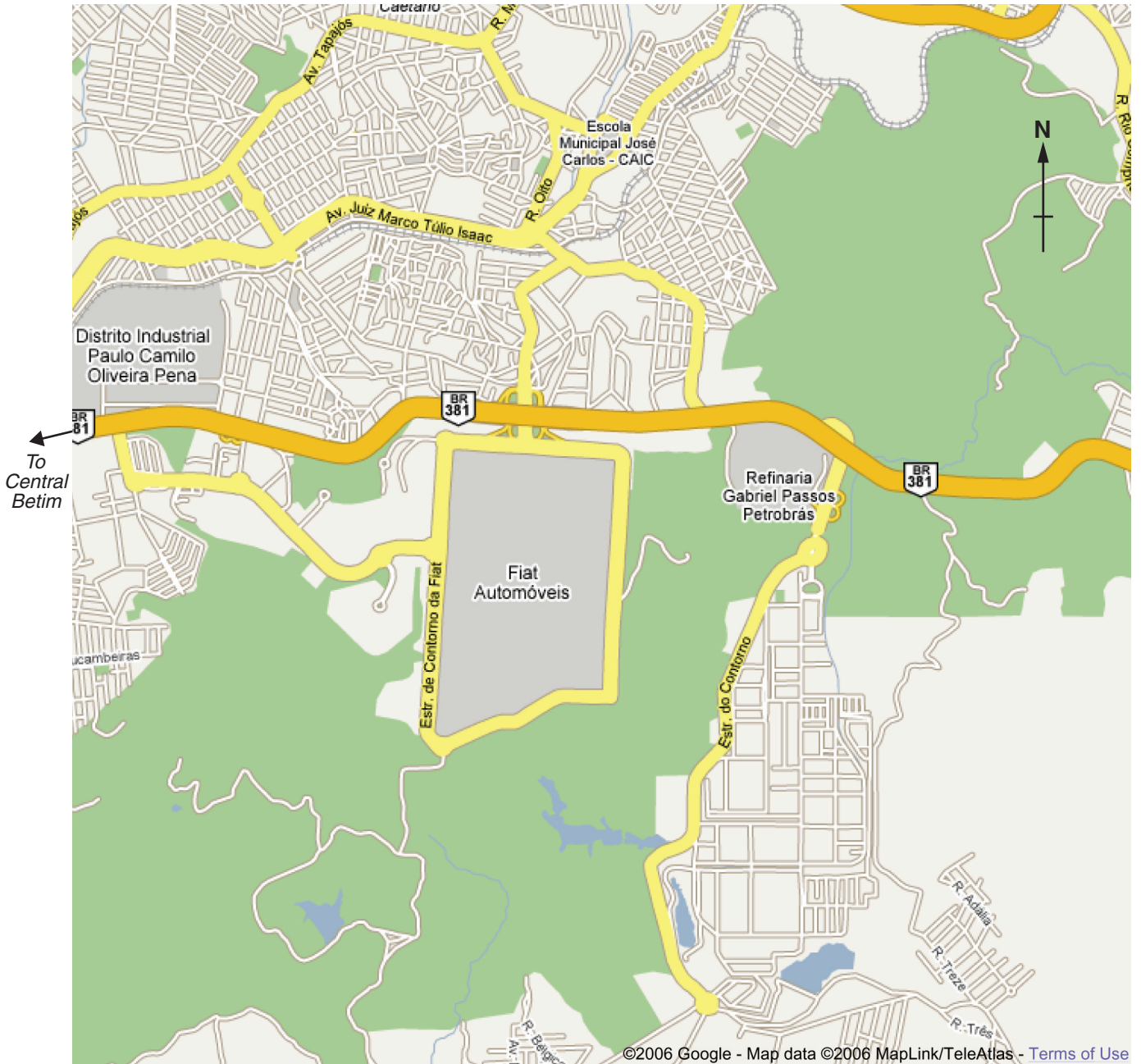
Fiat cars in Brazil

- Fiat began manufacturing cars in Brazil over 30 years ago and is now a market leader.
- Fiat allows its Brazilian arm a lot of autonomy, with all its senior managers being Brazilian. Fiat wants the company to be seen as a Brazilian brand by, for example, sponsoring the best local football teams.
- Some cars are designed specially for the Brazilian market such as the Fiat Palio which is small and rugged, but quite roomy. Good ground clearance and heavy-duty suspensions are important to challenge the conditions of the roads in Brazil.

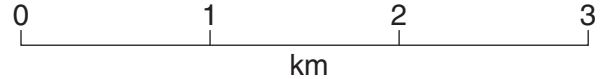
Fiat car factory, Betim (close to Belo Horizonte) south-east Brazil**Factors that attracted the company to Betim**

Guaranteed market for cars in Brazil and other South American countries.
Loans, grants and cheap land offered by the government (50% of initial cost).
Taxes are relatively low.
Low level of car ownership, but growing rapidly (1 in 8 now has a car).
Brazil has a stable government – a low-risk investment.
Prepared site with infrastructure such as roads, sewerage and electricity.
Well developed infrastructure in the region – motorway, rail and shipping routes.
Large pool of cheap labour.
Government guarantees of few labour problems or strikes.
Fiat allowed to take their profits out of the country.
Lower health and safety standards save costs.
Hard working and highly productive workforce – one of the best in the world.
Nearby steelworks saves transport costs.
High import tariff barriers provided a market protected from foreign competition.

Location of Fiat car factory in Betim, Brazil



- Key:**
- open space
 - built up area
 - motorway
 - industrial area



An uncertain future

Due to recent world economic problems and the ‘credit crunch’, the future of the Fiat plant at Betim is now less sure. The demand for cars worldwide has fallen and MNCs like Fiat are reassessing their global investments. However, the Brazilian government is very keen for the plant to remain open for employment and trade reasons.

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