Write your name here

Surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number

Candidate Number

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

Wednesday 21 January 2015 – Morning
Time: 2 hours

Paper Reference
WBS04/01

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.*

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.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

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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PEARSON

SECTION A

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A

Special report: World Economy

World leaders are congratulating themselves on having avoided protectionism since the 2008 financial crisis. The World Trade Organisation (present membership of 159 nations) says that explicit restrictions on imports have had hardly any impact on trade. But protectionism is still flourishing, often in the form of export promotion or industrial policy.

- India imposes local-content requirements on government purchases of information and communications technology and solar-power equipment.
- Brazil is forcing its state-controlled oil giant, *Petrobras*, to buy more and more of its equipment from local companies.
- America imposed tariffs on Chinese solar panels, alleging dumping and widespread support of this by the Chinese government.
- China gives subsidies to favoured domestic companies and discriminates against foreign ones. Especially in sectors such as energy and transport.

(Source: adapted from http://www.economist.com/printedition/2013-10-12)

Evidence B

New window for foreign firms

Although the China (Pilot) Shanghai Free Trade Zone (FTZ) is not a true free trade area, it is being seen as a further step in China's on-going trade liberalisation. It will be easier to set up business there, with many government regulations being reduced.

Finland's *Almaco* Group, which provides products and services for cruise ships and offshore units is looking forward to tax exemptions and other benefits as one of the first of 25 companies to obtain a license to set up a branch in the FTZ.

Almaco has been importing parts and materials before shipping them overseas, but has had to contend with import tariffs of 20% to 30%. With a branch in the new FTZ these tariffs will disappear or be much reduced.

(Source: adapted from http://www.chinadailyasia.com/business/2013-10/11/content_15092343.html)

(Source: http://www.businessweek.com/news/2013-12-10/china-s-stock-index-futures-drop-as-coal-shares-may-decline)

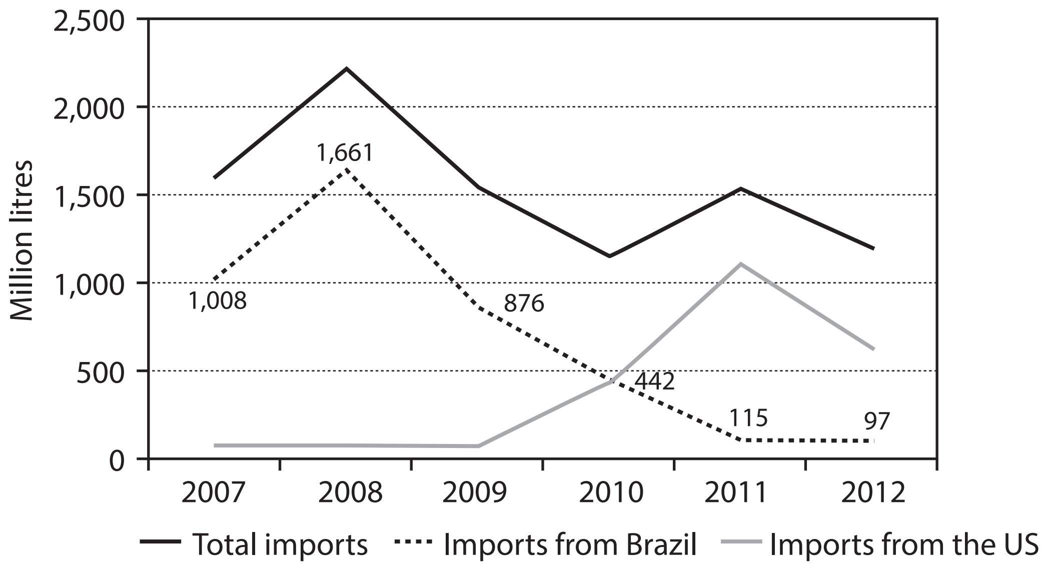
Evidence C

Sugarcane, ethanol and Brazil

The sugarcane industry represents an increasingly important segment of the Brazilian economy, expanding at approximately 10% annually.

- Sugarcane is used to produce ethanol. Brazil is the world's largest sugarcane ethanol producer and a pioneer in using ethanol as a motor fuel.
- In 2012/13, Brazilian ethanol production reached 23.2 bn litres.
- In 2012, the sugarcane sector contributed $36 bn to Brazil's gross domestic product (GDP).
- Including the various suppliers and stakeholders who depend on Brazil's sugarcane industry, the entire sugarcane agro-industrial industry generates gross revenues totalling more than $86bn annually.
- The sugarcane industry employs 1.1 million workers.

EU total ethanol imports



(Source: adapted from http://sugarcane.org)

1 (a) What is meant by the term tariffs? (Evidence A, line 9)

(2)

(b) What is meant by the term trade liberalisation? (Evidence B, line 4)

(2)

(Total for Question 1 = 4 marks)

2 Explain **two** factors that have led to increasing globalisation.

(Total for Question 2 = 6 marks)

3 Analyse **two** possible reasons why 'protectionism is still flourishing'.
(Evidence A, line 4)

(Total for Question 3 = 8 marks)

4 Assess the importance of the World Trade Organisation (WTO) in the growth of international trade.

(Total for Question 4 = 10 marks)

5 Assess the impact of increasing specialisation by countries such as Brazil.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

Frozen yogurt unable to lose its niche tag

US-based *Pinkberry*, is the latest frozen yogurt business to enter the Indian market. South Korean *Yogurberry*, US-based *Red Mango*, *Yoforia* and *Smoothie Factory* and Canadian *Kiwi Kiss* are just some of the chains that have, or are in the process of launching operations in India. However, many are doubtful about frozen yogurt growing beyond a niche segment.

It is seen as a niche segment in the frozen dessert category because it is difficult to change people's eating habits. *Kiwi Kiss*, which entered India in 2010 with plans to open 40 outlets by 2011, still has only two stores.

(Source: adapted from http://www.mydigitalfc.com/news/frozen-yoghurt-unable-discard-its-urban-tag-349)

(Source: http://blogs.ajc.com/atlanta-bargain-hunter/2011/02/22/free-frozen-yogurt-free-pancakes-from-ihp-the-gap-deal)

Evidence E

Italian luxury companies discover global niche markets

Italian luxury manufacturers are turning to global niche markets to boost their sales. *Brunello Cucinelli* produces luxury knitwear, including sweaters that retail for $1 280 each. Last year sales rose by 15%, despite Italy's tough economic times, as a direct result of combining a niche focus – quality Italian knitwear – with a global market.

With three-quarters of his sales from overseas, Mr Cucinelli, the owner of *Brunello Cucinelli*, says the rest of Italy should follow his model: produce quality goods and sell them everywhere – especially outside Italy.

(Source: adapted from http://dolcedesign.com/blog/italian-luxury-companies-discover-global-niche-marketing/)

Evidence F

eBay launches Brazil fashion app

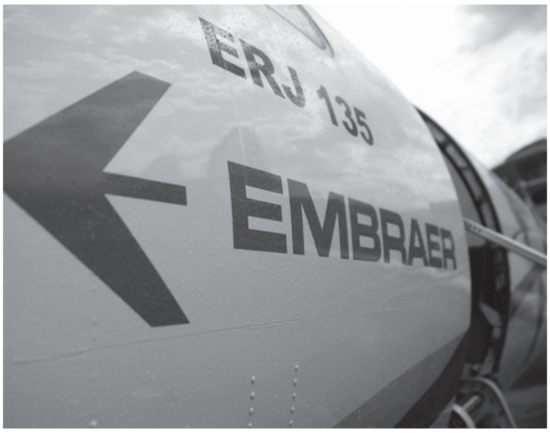
eBay has launched a Portuguese-language version of its *Moda* fashion app in Brazil, an emerging market of more than 200 million people and Latin America's largest economy. E-commerce in Brazil hit 22.5 bn Reals in 2012 ($11.5 bn) a 20% rise on 2011.

At the moment some 37 million Brazilians use mobile internet – but that number is set to grow to an estimated 96 million by 2017. An *eBay* statement said such growth "uniquely positions *eBay* to win globally as the commerce landscape evolves".

(Source: adapted from http://economictimes.indiatimes.com/tech/internet/eBay-launches-Brazil-fashion-app/articleshow/22720533.cms)

Evidence G

Embraer* poised to extend lead in regional jet sales over *Bombardier



Regional jets are smaller aircraft which are used for short haul flights. Brazil's *Embraer* is positioned to extend its leadership in regional jet sales over Canada's *Bombardier* in the coming years. *Embraer* has won \$4.9 bn worth of orders from U.S. carriers since late 2012 compared with just \$1.9 bn for *Bombardier*.

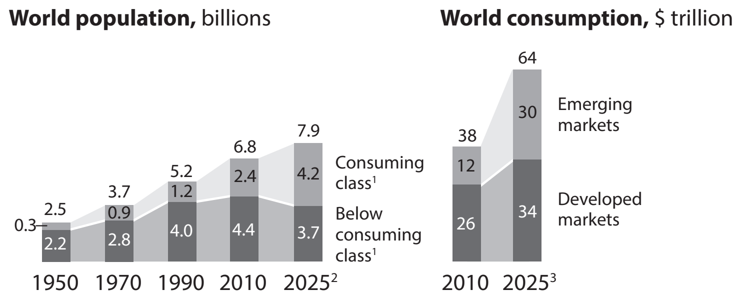
It is expected that *Embraer*'s market share between 2013 and 2015 will increase to 63% from the 54% it achieved between 2001 and 2012.

Montreal-based *Bombardier* used to dominate the regional jet market but has seen its leadership decrease since *Embraer* introduced its E-Jet range in 2003. *Embraer*, the world's fourth-largest aircraft manufacturer delivered 76% of the world's regional jets last year, up from 29% in 2003.

(Source: adapted from http://business.financialpost.com/2013/08/26/embraer-poised-to-extends-lead-in-regional-jet-sales-over-bombardier/)

Evidence H

The \$30 trillion (tn) opportunity



[1]Consuming class: daily disposable income is ≥\$10; below consuming class, <\$10; incomes adjusted for purchasing-power parity.

[2]Projected.

[3]Estimate based on 2010 private-consumption share of GDP per country and GDP estimates for 2010 and 2025; assumes private consumption's share of GDP will remain constant.

Over the past two decades, the size of the consuming class grew to 2.4 billion people. By 2025, research suggests that number will nearly double again, to 4.2 billion consumers out of a global population of 7.9 billion people. For the first time in world history, the number of people in the consuming class will exceed the number still struggling to meet their most basic needs.

By 2025, annual consumption in emerging markets will rise to \$30 tn, up from \$12 tn in 2010, and account for nearly 50% of the world's total, up from 32% in 2010.

In 15 years' time, almost 60% of the roughly one billion households with earnings greater than \$20 000 a year will live in the developing world.

(Source: adapted from http://www.mckinsey.com/insights/strategy/winning_the_30_trillion_decathlon_going_for_gold_in_emerging_markets)

6 Evaluate the benefits for a business of operating in a global niche market.

(20)

(Total for Question 6 = 20 marks)

7 Evaluate the impact growing economies, such as Brazil, might have on western businesses.

(20)

(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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