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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 27 January 2016 – 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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SECTION A

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A - Fast-food giants want pizza the action in Africa



Sub-Saharan Africa's economic growth is fuelling an investment drive by fast food businesses attracted by the continent's growing middle class.

The likes of *Kentucky Fried Chicken (KFC)* and *Domino's Pizza* are opening up in African growth markets from Nigeria to Angola. *Yum! Brands,* the owner of *KFC, Taco Bell* and *Pizza Hut*, is expanding into Tanzania, Uganda and Zimbabwe.

The American-based restaurant giant already has outlets in 14 African countries, with more than 700 *KFC*s in South Africa, and plans to open a further 45 stores there in 2013.

In May, *Burger King* opened for business in South Africa and last year *Domino's* opened its first African store in Nigeria, the continent's most populous nation. With two stores already, *Domino's* is planning to launch three more African branches by the end of this year. To cater to local tastes, the pizza chain launched a Chicken Jollof pizza - a rice-based dish popular to West Africa -- and a Suya special, consisting of spicy marinated meat.

Charbel Antoun, partner at *Eat N Go*, which helped launch *Domino's* in Nigeria, said that adapting the menu to the local culture and food was crucial to the brand's success. He added: "To compete in the market we have very competitive prices. Ninety-five per cent of our customers are Nigerian ... and these are the consumers we're looking to attract."

(Source: adapted from http://africanleadership.co.uk/fast-food-giants-target-africa/ © 2014, brandeating and http://www.brandeating.com/2013/03/whats-on-menu-dominos-pizza-nigeria.html)

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Evidence B - A hopeful continent

African statistics are often unreliable, but broadly the numbers suggest that human development in sub-Saharan Africa has made huge leaps. Secondary school enrolment grew by 48% between 2000 and 2008 after many states expanded their education programmes and scrapped school fees. Over the past decade deaths from malaria in some of the worst-affected countries have declined by 30% and HIV infections by up to 74%. Life expectancy across Africa has increased by about 10% and child mortality rates in most countries have been falling steeply.

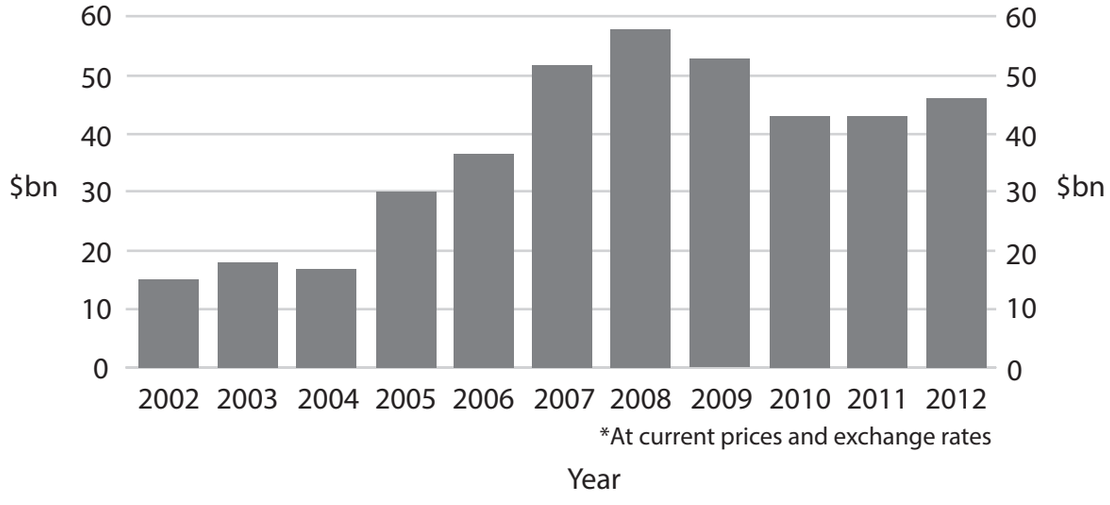
A booming economy has made a big difference. Over the past 10 years real income per person has increased by more than 30%, whereas in the previous 20 years it shrank by nearly 10%. Africa is now the world's fastest-growing continent, over the next decade its GDP is expected to rise by an average of 6% a year. This is mainly due to trade liberalisation, foreign direct investment and the increased growth in international trade.

Africa has three mobile phones for every four people, the same as India. By 2017 nearly 30% of households are expected to have a television set, an almost fivefold increase over 10 years. Nigeria produces more movies than America does. Film-makers, novelists, designers, musicians and artists thrive in a new climate of hope. Opinion polls show that almost two-thirds of Africans think this year will be better than last, double the European rate.

(Source: adapted from http://www.economist.com/news/special-report/21572377-african-lives-have-already-greatly-improved-over-past-decade-says-oliver-august)

Evidence C

Foreign-direct-investment flows into Africa,$bn*



(Source: UNCTAD)

Evidence D - Sasol cracks major US fracking deal



Encouraged by the North American shale boom, *Sasol*, a South African company is making a $20bn investment in a gas-to-liquids plant in Louisiana, USA. The plant will produce fuel from natural gas and other by-products of the shale industry. Only *Sasol* has the proven technology to produce fuel from gas on such a large scale. It will be *Sasol's* largest investment yet and the largest foreign direct investor manufacturing project in the history of the United States.

Sasol will not extract the gas itself but will buy it from suppliers in the area who use drilling and/or fracking. It chose the USA because the country has abundant shale gas, released through the controversial drilling process of hydraulic fracturing - or fracking.

The project will have significant economic benefits for Louisiana, worth an estimated $42.6bn over the next 20 years. The construction phase will initially create 7,500 jobs, after which between 12,000 and 15,000 permanent jobs are expected, with an average annual salary of between $80 000 to $85 000.

(Source: adapted from http://mg.co.za/article/2013-09-20-00-sasol-cracks-major-us-fracking-deal)

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1 (a) What is meant by the term GDP? (Evidence B line 11)

(2)

(b) What is meant by the term trade liberalisation? (Evidence B lines 11 and 12)

(2)

(Total for Question 1 = 4 marks)

2 Explain **two** possible reasons why Africa has experienced 'increased growth in international trade'. (Evidence B line 12)

(Total for Question 2 = 6 marks)

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3 Analyse **two** pull factors that may have caused businesses such as *Kentucky Fried Chicken (KFC)* and *Domino's* to invest in African countries.

(Total for Question 3 = 8 marks)

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4 Assess the importance of price for a fast food business when entering a new market such as Nigeria.

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(Total for Question 4 = 10 marks)

5 Assess the implications of Africa's economic growth for western businesses.

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(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 E– British sugar giant caught in global tax scandal



In a report published by the charity Action Aid, *Associated British Foods*, one of Britain's biggest multinationals, whose brands include Silver Spoon sugar, Twinings Tea and Kingsmill bread, is alleged to have avoided paying millions of pounds of tax in Zambia, an African state blighted by malnutrition.

Zambia Sugar, a subsidiary of *Associated British Foods,* contributed virtually no corporation tax between 2007 and 2012. It is estimated that the tax haven transactions of this company deprived Zambia of a sum 14 times larger than that of UK aid provided to the country to combat hunger and food insecurity.

The total loss to tax avoidance by multinationals in the developing world is estimated to be around £70bn a year, enough to save the lives of 85,000 children under the age of five in the world's poorest countries every 12 months, campaigners say.

A spokesman for *Zambia Sugar*, said: "We deny emphatically that *Zambia Sugar* is engaged in anything illegal, immoral or in any way designed to reduce the tax payable to the Zambian government. We are proud of *Zambia Sugar* and the major contribution it makes to the Zambian economy.

"Since 2008 we have invested £150m to double the production capacity in Zambia and so create the largest sugar mill in Africa. This mill and related activities provide employment for more than 5,000 people. Capital allowances on this investment have resulted in no corporate tax being payable since the investment was made."

(Source: adapted from http://www.theguardian.com/business /2013/feb/09/british-sugar-giant-tax-scandal)

Evidence F – Debswana

In 1969, the Botswana government signed a 50/50 partnership deal with *De Beers* the global diamond mining giant. This partnership, called '*Debswana*,' is the largest private sector employer in Botswana. Diamond mining operations are located at Orapa, Letlhakane, Damtshaa (OLDM) and Jwaneng. These four mines have contributed significantly to the economic growth of Botswana, as well as producing revenues responsible for lifting the country from one of Africa's least developed to an international development success story. Botswana is now a middle-income country and continues to develop.

Debswana's diamond revenue accounts for about 50% of public revenue; 33% of GDP; and 70 to 80% of foreign exchange earnings.

(Source: adapted from http://www.debswana.com/About%20Debswana/Pages/Introduction.aspx)

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Evidence G – Zambia's FDI inflows up in 2013



Zambia has recorded a rise in foreign direct investment (FDI) by as much as 45 per cent after the 2011 general elections that saw the inflows slightly decrease. The Zambia Development Agency, the country's investment agency, says the country has attracted US $1.7bn in FDI inflows in 2013 compared to US $1.1bn in 2011 and US $695m in 2009.

Most of the investment is coming from the mining and minerals sector while the construction sector and agriculture have also driven the rise. An official from the Agency added that the rise in FDI inflows was a clear indication that government policies were on the right path and that investors were showing confidence in the country's economic environment.

(Source: adapted from http://news.xinhuanet.com/english/africa/2013-11/30/c_132929954.htm)

Evidence H

The *Mopani Copper Mines* in Zambia spends on average US $15m every year on corporate social responsibility (CSR) projects and has so far spent close to US $200m in total.

These CSR projects include:

- Hospitals and clinics that are free for miners, but where non-miners pay commercial rates
- The Wusakile Mine and Malcom Watson hospitals with over 400 beds
- 4 township clinics at Mufulira, and 3 at Nkana
- A free treatment program for children with clubfoot and a free cervical cancer screening centre
- Primary and secondary schools in Mufulira and Nkan that are subsidised for miners
- An extensive malaria prevention program
- HIV/AIDS counselling and testing
- Kankoyo domestic water supply where *Mopani* pays 50% of the bill for the water
- Roads - part of the Mufulira/Sabina road and part of Kitwe ring road
- Sport facilities
- Farms for ex-workers.

(Source: adapted from http://www.caritas.no/wp-content/uploads/2013/12/Who-Benefits-Norwegian-Investments-in-the-Zambian-Mining-Industri.pdf)

6 Evaluate the benefits of FDI flows to a country such as Zambia.

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7 Businesses operating in the African continent might need to deal with a number of ethical considerations.

Evaluate the potential stakeholder conflicts that this might create.

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

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