GradeMax

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

Monday 19 June 2017 – 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 the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Thomas Cook looks to China with joint venture

Chinese travel habits are changing from predominantly sightseeing trips to all-inclusive resorts with lots of activities and day trips. China's spending on travel is projected to increase by 16% a year and to be worth £404bn by 2020.

Thomas Cook has set its sights on the fastest growing travel market in the world and has formed a joint venture to meet the Chinese demand for holidays at home and overseas. *Thomas Cook* and its Chinese partner, the diversified conglomerate *Fosun*, are putting £1.5m into the venture which will be 51% owned by *Fosun*.

Fosun was originally a market research company but has been moving into the travel sector. It recently made a successful takeover of *Club Med,* another travel company, for £704m.

This joint venture is expected to look at developing European resort style hotels in China. It is also targeting the fast-growing market for Chinese travellers going to Europe and other Asian destinations such as the Maldives.

(Source: adapted from the *i* newspaper, 16 June 2015)

Evidence B

China's *Fosun* on the prowl for European takeovers

Fosun is looking for more acquisitions in Europe, and particularly Germany, to give it a range of businesses with strong links to China's growing consumer classes. The company has already invested in *Club Med* and *Cirque du Soleil* as well as British pram maker *Silver Cross*, ready for China's latest baby boom.

Fosun is keen to find targets in the food, drinks and tourism sectors and is also looking to healthcare investments such as hospitals, medical equipment and health insurance. Europe is not the only area for *Fosun*'s investment. It also has invested more than $5bn in the USA and $500m in Japan.

In financial services, *Fosun* wants to take over the private banks *Hauck & Aufhaeuser* in Germany and Anglo-German lender *BHF Kleinwort Benson*. These takeovers have yet to be approved by regulators in Britain, Belgium and Germany.

(Source: adapted from China's Fosun on the prowl for European takeovers © Reuters)

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Evidence C

Doha Round

Since the formation of the General Agreement on Trade and Tariffs (GATT) in 1947, the predecessor of the World Trade Organization (WTO), all trade agreements have been made on the basis of negotiation rounds. These negotiations cover many different areas, such as tariff reductions and rules for trade. At the end of each round, a single document is produced which all the countries must agree to. This is commonly referred to as a single undertaking.

For the past 14 years, the WTO has been unsuccessfully attempting to conclude the Doha Round of Negotiations, also known as the Doha Development Agenda (DDA). The DDA aims to increase trade liberalisation keeping in mind the interest of developing and least developed countries (LDCs).

Now, the ministers of the 162 member countries are meeting in Nairobi for the 10th Ministerial Conference to try and conclude the DDA. Though no one is against making trade work for everyone, members have different views on what items, for whom and how much to offer. The WTO principle of the single undertaking – the principle of either accepting everything, or nothing – also prevents members from only adopting the parts they like.

(Source: adapted from India must not be made a scapegoat if the WTO fails to deliver in Nairobi © Quartz)

Evidence D

African Union urges agreement to remove global trade barriers

African Union Commission (AUC) Chairperson Nkosazana Dlamini Zuma said on Thursday that African countries would only be satisfied when an agreement to remove barriers to global trade is reached at the WTO ministerial conference in Nairobi.

Ministers of trade and foreign affairs are preparing for the ministerial conference in Nairobi that will determine whether efforts to ease trade barriers can progress to a single undertaking. Ahead of the meeting, China has pledged it would assist African countries and promote trade between the two sides. China has also pledged it would assist Africa in improving industrial capacity by investing in building industrial zones that would help make Africa a new economic power-house.

(Source: adapted from African Union urges agreement to remove global trade barriers © Global Post)

1 (a) What is meant by the term conglomerate? (Evidence A, line 6)

(2)

(b) What is meant by the term investment? (Evidence B, line 7)

(2)

(Total for Question 1 = 4 marks)

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2 Using your own examples, explain **two** ways in which trade barriers might restrict or prevent trade.

(Total for Question 2 = 6 marks)

3 Analyse **two** possible reasons why *Thomas Cook* is forming a joint venture with *Fosun*.

(Total for Question 3 = 8 marks)

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4 Assess the benefits for *Fosun* of expanding by inorganic growth.

(10)

(Total for Question 4 = 10 marks)

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5 Assess the importance of the World Trade Organization in the growth of international trade.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

China's stake in the UK

How Chinese investment in the UK will increase	
£18bn 2005–13	**£144bn** 2014–25 (estimate)

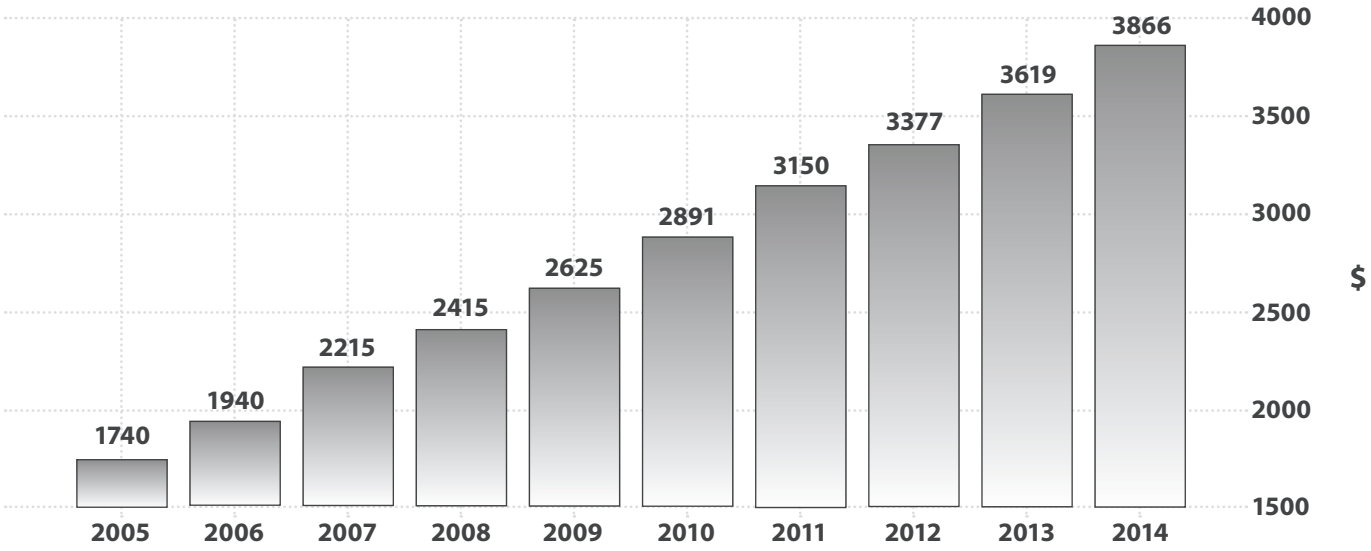
Global Chinese Investment	
USA	**$68bn**
Australia	**$59bn**
Europe (excluding UK)	**$54bn**
Canada	**$39bn**
UK	**$23bn**
30% of all global investment will come from China by 2030 (World Bank estimate)	

Tourism – Chinese visitors to the UK	
Visitors from China have more than doubled in five years	
2009	**2014**
89,000	**185,000**

(Source: adapted from 'China's stake in Britain' *The Times* newspaper, 16 October 2015)

Figure 1

China GDP per capita



(Source: www.tradingeconomics.com)

Evidence F

Brazil to sue mining companies *BHP* and *Vale* for $5.2bn over dam disaster

Brazil's government has announced it will sue mining giants *BHP Billiton* and *Vale* for $5.2bn after the deadly collapse of a dam at an iron ore mine. It resulted in 60 million cubic meters of mud and mine waste cascading into the Atlantic ocean and left more than 13 people dead.

Environment minister Izabella Teixeira said a lawsuit would be filed demanding that the companies pay for environmental recovery and compensation for the victims. *BHP Billiton* is the world's biggest mining company and *Vale* is the world's biggest iron ore specialist and it is hoped that these corporations will co-operate with the government. 5

(Source: adapted from Brazil to sue mining companies BHP and Vale for $5bn over dam disaster © Guardian News & Media Limited)

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Evidence G

Jhatkaa.org urges people to pledge #WontBuyUnilever

Jhatkaa.org is a public mobilisation group fighting against the alleged mercury contamination by *Unilever* in India. It has launched a follow-up campaign to its earlier successful 'Kodaikanal Won't' rap video. Called #WontBuyUnilever, the campaign urges consumers and people in general to take a pledge to boycott *Unilever*'s products.

The campaign is being supported by South Indian actors Bobby Simha, Rohini and Kalai Raani who have pledged not to use or endorse any products by the company until it clears up the thermometer factory premises at Kodaikanal, which is allegedly contaminated with mercury.

The 'Kodaikanal Won't' rap video caused controversy on social media by questioning *Unilever*'s silence on the dumping of toxic waste by the company. After the video went viral, *Unilever* responded in a post on its official website stating that the safety of its employees is its number one priority.

(Source: adapted from Jhatkaa.org urges people to pledge #WontBuyUnilever © afaqs!)

6 Evaluate the impact on western businesses of the growing Chinese economy.

(20)

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(Total for Question 6 = 20 marks)

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7 Evaluate the extent to which it is possible to control the actions of multinational companies.

(20)

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(Total for Question 7 = 20 marks)

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

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