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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Tuesday 30 October 2018

Afternoon (Time: 2 hours) | Paper Reference **WBS04/01**

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

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

Vibrant trade outlook makes Indonesia attractive to foreign companies

Indonesia, an emerging economy, is 'Asia's next big opportunity'. GDP growth was 5.2% in 2016 and forecast to stay at that level until at least 2020. It has the fourth highest population in the world with over 243 million people. Over 60% of the population is aged between 20-65 years old. It is also the world's 7th largest country in terms of combined sea and land area.

Indonesia's top trading partners are Japan, China, the United States, Singapore and South Korea. Its main exports are industrial commodities such as coal, petroleum gases, crude palm oil, crude petroleum oils and natural rubber.

On the import side, Indonesia's top trade partners are Singapore, China, Japan, Malaysia and South Korea.

Indonesia's exports are expected to grow to $469bn in 2017, making Indonesia the 21st largest exporter globally. Demand for imports is also expected to grow to $487bn in 2017, raising Indonesia to the 20th position on the global importer list.

As a member of the Association of Southeast Asian Nations (ASEAN), Indonesia has special tariff rates for products coming from its fellow member countries. Average import duties range from 0% to 15%, but can be as high as 35% for luxury items and 150% for items such as distilled alcohol products.

(Source: adapted from http://www.cekindo.com)

Evidence B

***Toyota*'s investment**

Toyota, the Japanese automobile manufacturer, has already invested over $15bn in Indonesia and has five manufacturing plants around the capital city, Jakarta. It plans to invest an extra $5bn by 2020 to further increase its capacity.

Around 50% of vehicles manufactured by *Toyota* in Indonesia are shipped abroad, mostly to other ASEAN countries and Africa. In Indonesia, *Toyota* is the clear market leader, controlling about 36% of the car sales market. Sales of *Toyota* cars in Indonesia increased by 19% in 2016.

(Source: adapted from © Van der Schaar Investments B.V. Delft The Netherlands)

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Evidence C

Potential benefits and risks of investing in Indonesia

Indonesia is an attractive destination for investment. It has a large market, political stability, relatively low labour costs and good availability of raw materials.

Recently, development has been focused on a capital intensive business model that does not rely solely on Indonesian labour in industries such as consumer goods, cosmetics, automotive and components. Today, many foreign companies have joint ventures with Indonesian businesses as market entry can be difficult or even costly.

In addition to holding huge investment potential, Indonesia also has investment risks that potential investors need to assess, including:

- Demonstrations - protests take place every day in Indonesia, although they are usually on a small scale.
- Corruption - on the annual Corruption Perception Index, Indonesia is number 118 out of a total of 176 countries. (Number 1 is least corrupt, 176 is most corrupt).
- Government and bureaucracy - Although Indonesia is now ranked 72 out of 190 in the World Bank's Ease of doing Business index, it is still very likely that investors will face difficulties.
- Infrastructure - lack of quality and quantity of infrastructure in Indonesia could hinder economic growth.
- Natural disasters - such as earthquakes, tsunamis, volcanic eruptions, and floods often occur.
- A volatile exchange rate - the Rupiah (the Indonesian currency) is not stable and the cost of production can be difficult to predict.

(Source: adapted from http://www.cekindo.com)

1 (a) What is meant by the term capital intensive? (Evidence C, line 4)

(2)

(b) What is meant by the term exchange rate? (Evidence C, line 21)

(2)

(Total for Question 1 = 4 marks)

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2 Despite being a member of ASEAN, Indonesia still imposes tariffs on 'products coming from its fellow member countries'. (Evidence A, line 16)

Explain **two** possible reasons why Indonesia might do this.

(Total for Question 2 = 6 marks)

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3 Analyse **two** possible reasons why many foreign companies form joint ventures to enter the Indonesian market.

(Total for Question 3 = 8 marks)

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4 Indonesia is a member of ASEAN, the world's largest trade bloc when measured by population.

Assess the likely impact of this membership on Indonesian businesses.

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(Total for Question 4 = 10 marks)

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5 Assess *Toyota*'s decision to increase its investment in Indonesia.

(12)

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(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 D

Zambia commences legal proceedings against mining firm over pollution

In January 2017, the Zambia Environmental Management Agency (ZEMA) started legal proceedings against *Vedanta Resources,* a mining multinational corporation (MNC), over the pollution of drinking water and the environment in one mining town in the Copperbelt Province.

ZEMA said legal proceedings had begun against *Vedanta Resources* after investigations revealed that it was responsible for the pollution of a river and the environment around the town of Chingola. ZEMA took samples from seven sites in the area for analysis, which revealed that the firm was responsible for the pollution.

(Source: adapted from © 2018 AllAfrica)

Evidence E

Gold mining permit withdrawn after protests

Sudan's Northern State Government has withdrawn a permit to establish a factory that would extract gold using toxic chemicals. The government withdrew the permit of the unnamed MNC, following a series of protests by residents.

The mining company had plans for a factory in the Dalgo locality in northern Sudan, which would have used mercury and cyanide to separate gold and silver particles from the ore.

(Source: adapted from © 2016 Copyright 3S Media Pty Ltd)

Evidence F

***Panasonic* aims to expand into emerging markets**

The Japanese consumer electronics company, *Panasonic*, will produce more low-cost smartphones in 2017 to target emerging markets such as Myanmar, Nigeria, Bangladesh and Kenya.

Panasonic will produce low priced smartphones, retailing at around $99 per unit, with large-capacity batteries but limited camera and recording functions. *Panasonic* aims to enter emerging markets because they are not yet saturated. Although consumers in these markets are not amongst the world's poorest, many earn an average of only $2 000 a year.

Analysts believe Chinese low-price smartphone brands in those emerging markets will present serious competition. Seven of the world's top 10 smartphone brands are Chinese, including *Lenovo, Huawei, Xiaomi, Gionee* and *ZTE*. Nevertheless, *Panasonic* has enjoyed great success in India, where market conditions are similar. It is the third most popular brand in terms of market share with 11.3%, behind market leaders *Xiaomi* and *Gionee*.

(Source: adapted from © 2016 Global Times)

6 Evaluate the extent to which the activities of multinational corporations (MNCs) can be controlled.

(20)

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7 Evaluate the importance of price for a business such as *Panasonic* when entering an emerging market.

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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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