GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Wednesday 20 January 2021

Morning (Time: 2 hours) | Paper Reference **WBS14/01**

Business

International Advanced Level
Unit 4: Global business

You must have:
Source Booklet (enclosed)

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 Sections A, B and C.
- 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.*
- 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.

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SECTION A

Read Extracts A, B and C in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Using Extract A, explain what is likely to have happened to the global price of coffee between 2004 and 2019.

(4)

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(b) Explain **one** characteristic of an emerging economy such as Brazil.

(4)

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(c) Discuss the usefulness of the Human Development Index (HDI) as an indicator of a growing economy.

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(d) Assess the importance of government incentives for an international business when choosing a production location.

(12)

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(e) Assess the importance of increased investment flows (FDI) to increased globalisation.

(12)

(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Read Extracts D and E in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Evaluate the impact of movements in exchange rates on international businesses.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Read Extract F in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Evaluate whether inorganic growth is always beneficial to a global business such as a car manufacturer.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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Source Booklet
Do not return this Source Booklet with the question paper.

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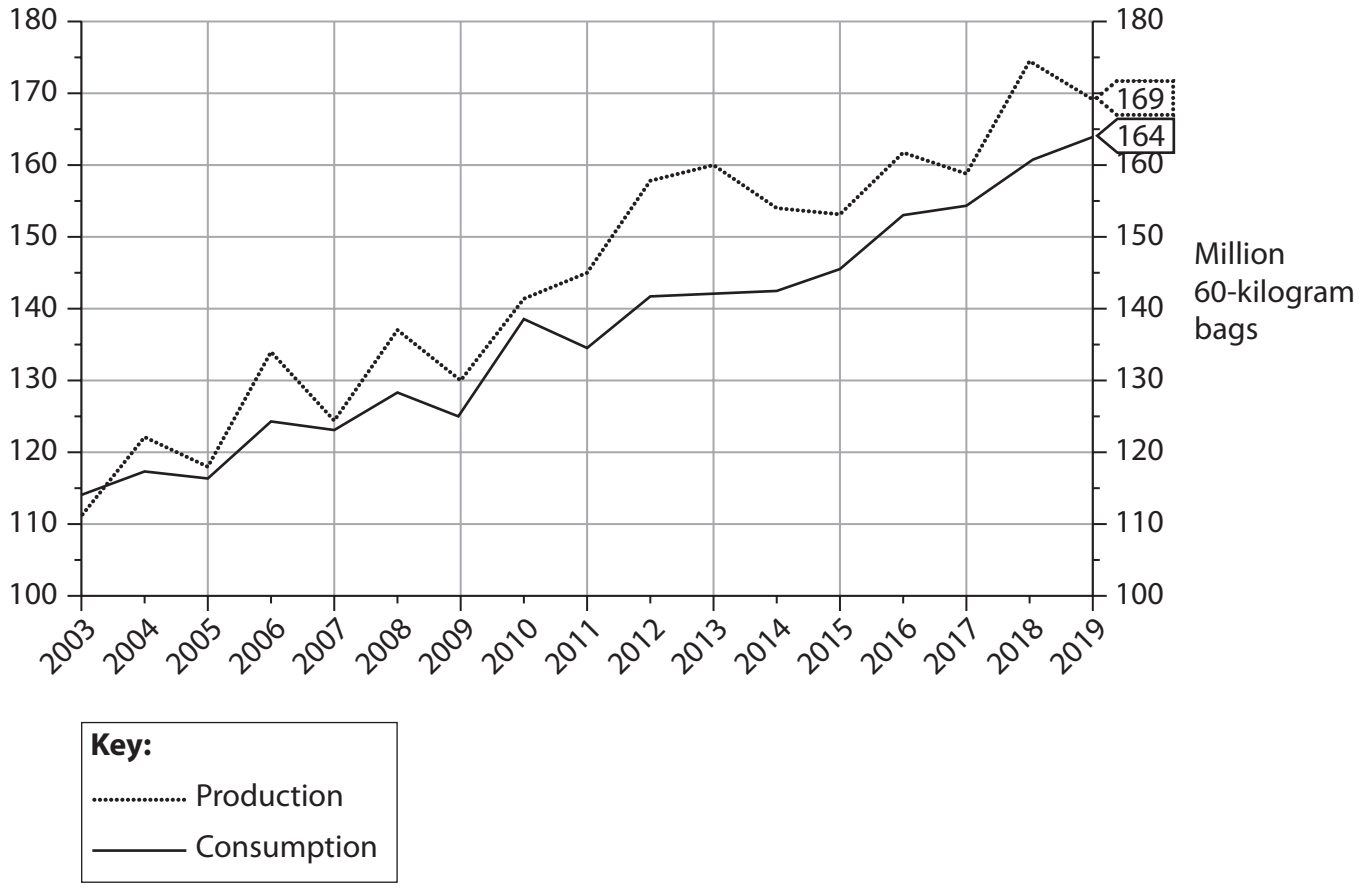
Sources for use with Section A

Extract A

Global coffee market 2003 – 2019



Brazil is the world's largest coffee producer and exporter. It produces about 25% of the world's coffee beans. Output in Brazil has risen in recent years as a result of highly mechanised production, and there is no sign this trend is slowing down. Brazil's large harvest is adding to global supply. Small-scale growers in other countries are stopping production of coffee beans. 5

The currency of Brazil is called the real. The real has depreciated and this has encouraged exports from Brazil. Global coffee sales are usually priced in US dollars.

Extract B

Ireland ranked fourth in the world for living conditions, UN report finds

Living conditions in Ireland have improved faster than anywhere else in the world over the last five years, according to a United Nations (UN) report. Ireland now ranks fourth in the world in the UN's Human Development Index (HDI).

Between 2012 and 2018, Ireland jumped 13 places in the yearly index and is now only behind Norway, Switzerland and Australia. The US was ranked 13th and the UK 14th.

Selected HDI Rankings for 2018

Top 5	
1	Norway
2	Switzerland
3	Australia
4	Ireland
5	Germany

BRICS nations	
49	Russia
79	Brazil
86	China
113	South Africa
130	India

Bottom 5	
185	Burundi
186	Central African Republic
187	South Sudan
188	Chad
189	Niger

The lowest places on the HDI are African countries – Niger, Chad, South Sudan, the Central African Republic and Burundi.

Average HDI levels have risen since 1990 – 22% globally and 51% among the least developed countries. According to the UN, this reflects that "on average people are living longer, are better educated and have higher incomes. But there remain huge differences across the world in people's wellbeing."

Extract C

Foreign Direct Investment (FDI) in Ireland

Despite being an island nation on the edge of Europe, Ireland has succeeded in becoming the leading location for FDI in Europe. Many of the world's biggest and most successful companies have already located operations in Ireland, such as *Microsoft*, *Pfizer*, *Abbott*, *Infosys*, *Pepsico* and *Intel*.

There are a number of reasons why Ireland has gained such a high level of FDI in recent years:

- Membership of the European Union (EU) trade bloc and providing US multinationals, in particular, with a way to access the EU market has been important to the success of Ireland
- Cultivating an open economy, with very few restrictions on trade and a high Ease of Doing Business ranking, has also been important
- Government incentives have encouraged FDI. These include Ireland's low rate of Corporation Tax (the amount of tax a business pays on its profits), which is 12.5% compared to 21% in the US.

Sources for use with Section B

Extract D

Brazil airline *Gol* reports loss

In 2019, Brazil's largest airline, *Linhas Aereas Inteligentes* (*Gol*), reported a loss of 194.6 million reals.

Gol has struggled for several years to produce profits despite regularly increasing its revenues. It has been badly affected by the recent problems of Brazil's currency, the real, which has depreciated significantly against other currencies. Between 2015 and 2019, the real depreciated by nearly 50% against the dollar.

While most of *Gol*'s revenues are in reals, significant costs such as fuel and the rental costs of aircraft are paid for in dollars. Rival airline *Avianca Brasil* ceased operations early in 2019, when it fell behind on payments because of the depreciation of the real.

Extract E

Brazil corn exports increase as weak currency boosts deals

Brazilian corn farmers are taking advantage of a favourable market as the weak Brazilian currency, the real, boosts their sales. Corn exports in May 2019 reached 908,400 tonnes. The volume of May corn shipments is already above the numbers seen at the same time last year.

"The exchange rate favours the competitiveness of Brazilian corn. World prices are helping, but the currency is the main cause of increased competitiveness", said Ana Luiza Lodi, a grain analyst for *INTL FCStone*.

Corn prices neared a two-year high in August 2019, as forecasts of heavy rain across key US growing regions threatened further delays to American crops.

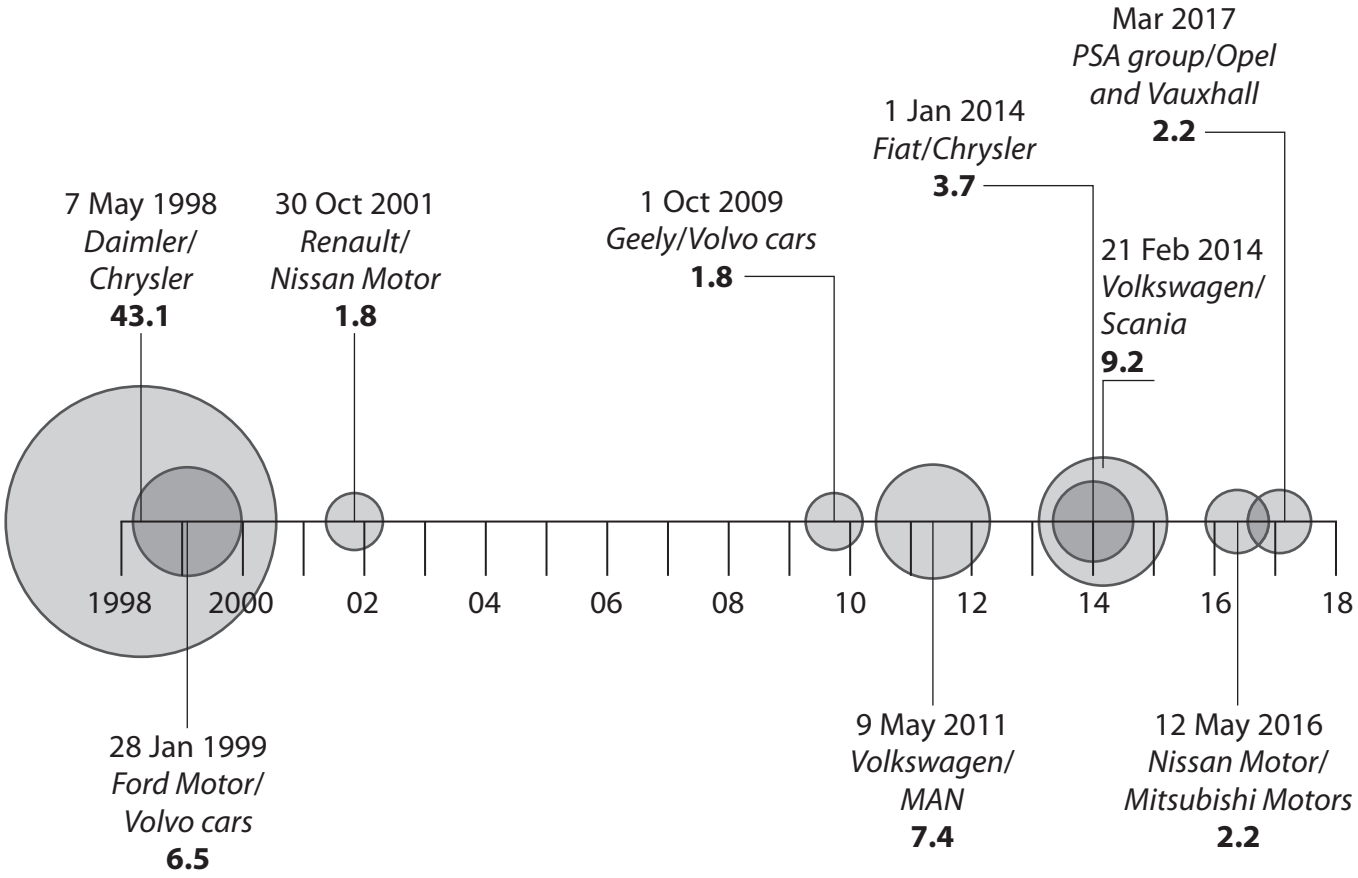
Source for use with Section C

Extract F

Global Car Mergers

In 2015, Sergio Marchionne the head of *Fiat-Chrysler*, a global carmaker, stated the need for more car mergers and takeovers. Since then, only one has happened when Peugeot owner *PSA* bought *Opel* from *General Motors*.

Value of Car Mergers ($bn)



After eight years of growth, global car sales fell in 2019 in the largest and most profitable markets: the US, China and Europe. At the same time, costs were rising, not only in raw materials but also from the need to invest in the development of electric vehicles. In 2018, the car industry had committed $90bn to developing battery-powered cars. A year later, the figure was more than $300bn.

The car industry is capital intensive and highly competitive. Greater size by inorganic growth would give the benefits of economies of scale protection against regional sales volatility, and help to spread investments across a larger number of vehicles.

Yet many car manufacturers are reluctant to do this. The *Daimler* and *Chrysler* merger failed because the business cultures never matched. *Renault* and *Nissan*'s 20-year old alliance is weak, with limited integration and strains are now showing between the French and Japanese companies.

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Acknowledgements

Extract B adapted from: https://www.irishtimes.com/news/ireland/irish-news/ireland-ranked-fourth-in-the-world-for-living-conditions-un-report-finds-1.3629707 and https://telanganatoday.com/achieving-better-human-development

Extract C adapted from: https://www.matheson.com/news-and-insights/article/tax-policy-and-the-impact-on-foreign-investment-in-ireland

Extract D adapted from: https://uk.reuters.com/article/us-gol-results/brazil-airline-gol-reports-narrower-quarterly-loss-announces-share-buybacks-idUKKCN1UR4N1

Extract E adapted from: https://www.brecorder.com/2019/05/28/499775/brazil-corn-exports-soar-as-weak-currency-high-prices-boost-deals/

Extract F adapted from: Why the car industry's big consolidation dream remains elusive By Peter Campbell
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