



Mark Scheme (Results)

Summer 2015

Pearson Edexcel GCE
in Economics & Business (6BS03)
Paper 01 International Business

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Section A

If analysis but ***no context anywhere*** restrict to bottom of L3

If evaluation but ***no context anywhere*** restrict to top of L3

If context on one side ***or*** the other -i.e. an ***or*** eval - it can get L4 (see mark scheme for individual Q for how many allowed in this case)

If context on both sides i.e. an ***and*** eval - then full range of marks at L4 can be considered

Question Number	Question	
1.	Explain two possible reasons why India originally introduced import tariffs.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks (one for each reason) for identifying reasons such as protection of domestic industries, raising revenue</p> <p>Application: up to 2 marks (one for each reason) for developing the above in the context of India, e.g. India is a developing economy and its industries may not be as competitive as others, many Indians have low incomes and pay little or no tax</p> <p>Analysis: up to 2 marks (one for each reason) for developing the reasons, e.g. tariffs increase the price of imported goods meaning that consumers may prefer domestic products thus preserving jobs and industries, therefore tax revenue from tariffs may be very useful as tax revenue from tariffs can be spent on education to help boost India's competitiveness in the future</p> <p>General – if only one reason, cap at 3 marks</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
2.	Analyse two ways in which the creation of the RCEP might affect UK businesses	8 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application1, Analysis 2 per way</p> <p>Knowledge: 1 mark is available for identifying each way e.g. an opportunity to locate production/sales outlets inside the new bloc or a threat as the member states become more competitive</p> <p>Application: 1 mark is available for each contextual answer and may use evidence or an example from own knowledge e.g. producing inside the trade bloc avoids potential trade barriers and gives access to 3 billion people or member states have no internal trade barriers and will account for 40% of world trade</p> <p>Analysis: up to 2 marks are available for expanding each consequence e.g. Once production starts, products can then be freely traded in the large internal market without having to pay import duties, this increases competitiveness, sales and profits or member states have access to cheaper raw materials and potential economies of scale, this will help them to be more competitive and to potentially take market share from UK businesses</p> <p>Up to 2 analysis marks for one way, up to 4 marks for analysis of two ways</p> <p>General – if only one way, cap at 4 marks</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-4</p>

Question Number	Question		
3.	Assess the likely benefits of increasing specialisation for a country such as Australia. (9 marks)		
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge/understanding of basic terms	e.g. a concentration of productive resources in a particular area of the economy based on comparative advantage
2	3-4	Application: basic points developed to show awareness of context in terms of a country such as Australia	e.g. perhaps referring to the evidence and/or discussing the kind of specialisation that a developed economy like Australia might pursue such as mining and car engines
3	5-6	Candidate analyses using reasons/causes/consequences/costs to show likely benefits of increasing specialisation	e.g. specialisation may lead to a competitive advantage as skills and experience lead to greater efficiency and a comparative advantage in production e.g. specialisation can lead to economies of scale as more resources are devoted to specialisation rather than spread out over many areas, the scale of production increases bringing both internal and external economies of scale into being e.g. specialising in such a large new market can mean increased sales and economic growth
4	7-9	Evaluation must be present i.e. a candidate balances his/her answer by looking at the degree to which specialisation can be a benefit <i>If context is one sided max of 7 marks</i>	e.g. over-reliance can be a problem, if demand falls or if a new competitor emerges there is likely to be a significant impact on the country as risk is not sufficiently spread e.g. other countries in RCEP may choose to compete and may have a lower cost base than a developed economy such as Australia e.g. if area of specialisation is not sufficiently advanced, low cost rivals may take market share e.g. commodities may run out in the future or larger reserves are discovered elsewhere

***N.B. If analysis is not in context restrict to bottom L3 – 5 marks
If evaluation but no context anywhere restrict to top L3 – 6 marks***

Question Number	Question		
4.	Evaluate the likely impact that joining the RCEP will have on India's businesses (12 marks)		
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of basic terms</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	e.g. for understanding the nature of a trading bloc and/or free trade
2	3-4	<p>Application: basic points developed to show awareness of context in terms of India</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	e.g. uses evidence or own knowledge to show the nature of the Indian economy. Perhaps in terms of relative economic development, job opportunities for nurses/teachers/auditors
3	5-7	<p>Candidate analyses using reasons/causes/consequences/costs to show impact on India</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i></p>	<p>e.g. Indian businesses such as Tata will have easier/cheaper access to a vast internal market, boosting sales and/or profitability</p> <p>e.g. Indian businesses may be able to import raw materials/components/products and services more cheaply thus reducing costs which may give a competitive advantage</p> <p>e.g. free trade should cause economic growth as prices fall (reflecting reduced costs), this increases disposable income and increases overall demand leading to increased real output i.e. economic growth</p> <p>e.g. job opportunities abroad as in evidence A which boosts employment and incomes which may be sent home, skills are acquired which are transferable</p> <p>e.g. FDI may boost India as businesses from developed economies seek a low wage manufacturing base within the new free trade area</p>
4	8-12	<p><u>Low Level 4: 8-9 marks.</u></p> <p>Evaluation must be present i.e. a candidate balances his/her answer</p> <p><i>If context is one sided max of 9 marks</i></p> <p><u>High Level 4: 10-12 marks</u></p> <p>Evaluation is developed to show a</p>	<p>Starts to look at the other side, begins to discuss the extent to which the impact will be beneficial</p> <p>e.g. India's domestic industries will lose their protective tariffs and barriers meaning they are now relatively more expensive and less competitive</p> <p>e.g. increased competition for domestic producers may mean a drop in sales causing a drop in</p>

		<p>real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. (candidates may use MOPS).</p> <p><i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar</i></p>	<p>production... e.g....ultimately this may cause unemployment to rise and incomes to fall as businesses no longer need as many workers and some may cease to trade altogether</p> <p>e.g a common external tariff may increase the cost of raw materials supplies from outside of RCEP</p>
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N.B. If analysis is not in context restrict to bottom L3 – 5 marks

If evaluation but no context anywhere restrict to top L3 – 7 marks

Section B

Question Number	Question	
5.	Explain two possible reasons why the Netherlands might be keen to attract foreign businesses. (Evidence E)	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks (one for each reason) are available for identifying two reasons e.g. job creation, increased growth</p> <p>Application: up to 2 marks (one for each reason) are available for contextual answers e.g. all countries face problems with unemployment and the EU has seen an increase in recent years; low growth rates since 2008</p> <p>Analysis: up to 2 marks (one for each reason) are for developing the reasons e.g. foreign businesses may recruit many local people and create employment directly and also indirectly as local businesses supply materials/services, newly employed people enjoy increased income and spending raising demand and output; new businesses create extra output both of which mean growth</p> <p>General – if only one reason, cap at 3 marks</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p>

Question Number	Question	
6.	Explain two possible reasons why an increasing number of new large companies are forecast to be based in emerging economies.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks (one for each reason) are available for describing a reason e.g. rising incomes in emerging economies, access to large trading blocs, less regulation, lower labour costs, saturated home market</p> <p>Application: up to 2 marks (one for each reason) are available for relating the above to the context e.g. increasing numbers of middle class consumers and/or reduction in poverty levels in emerging economies, creation of RCEP or recent expansion of ASEAN</p> <p>Analysis: up to 2 marks (one for each reason) are available for developing the reasons e.g. rising incomes lead to rising demand/sales/profits and so locating here means closer and more efficient links to important markets/increased scope for business formation. Basing within new expanding trade blocs circumvents tariffs/protectionism reducing costs and increasing competitiveness</p> <p>General – if only one reason, cap at 3 marks</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p>

Question Number	Question		
7.	Assess the benefits to Pinewood Studios of entering into a joint venture with Seven Stars Media. (8 marks)		
Level	Mark	Descriptor	Possible content
1	1	Knowledge/understanding of basic terms	e.g. two independent businesses collaborating on a specific project
2	2-3	Application: basic points developed to show awareness of context in terms of joint ventures in China	e.g. use of evidence such as size of market - \$7.2bn by 2016 e.g. difficulty in getting access to Chinese market due to government restrictions
3	4-5	Candidate analyses using reasons/causes/consequences/costs of entering a joint venture	e.g. access to previously inaccessible Chinese market and increased sales and profits caused by the growing size of the market which in turn is powered by rising incomes e.g. local knowledge and advice which helps to avoid bureaucratic obstacles and hold-ups which delay output and increase costs e.g. shared costs which means that more and bigger projects can be launched, e.g. reduced risk from the above points makes investment safer and more viable
4	6-8	Evaluation must be present i.e. a candidate balances his/her answer by pointing out some of the potential drawbacks of joint ventures <i>If context is one sided max of 6 marks</i>	e.g. identifies possible risks - clash of cultures and communication problems, which can mean at worst a collapse of the venture (Danone may be used as an example here) e.g. difficulties in Chinese market such as theft of IPR, even with a JV this can happen causing a loss of profitability e.g. sharing costs is an advantage but it also mean that profits are shared too

***N.B. If analysis is not in context restrict to bottom L3 – 4 marks
If evaluation but no context anywhere restrict to top L3 – 5 marks***

Question Number	Question		
8.	Assess the importance of the 'ease of doing business' to a manufacturing company's decision as to where to locate its production. (Evidence E) 10 marks		
Level	Mark	Descriptor	Possible contents
1	1	Knowledge/understanding of ease of doing business	e.g. refers to the time period required to start a business and/or the number of bureaucratic obstacles to be overcome
2	2	The above is applied to a manufacturing company	e.g. refers to evidence e.g. procedures, time, fees, tax levels or own relevant knowledge e.g. fewer planning restrictions, less bureaucracy
3	3-5	Candidate analyses using reasons/causes/consequences/costs of the importance of ease of doing business to a manufacturing company decision as to where to locate its production	e.g. ease of doing business implies less time taken to get started, this reduces start-up costs and this may be a good reason to choose a particular location e.g. less bureaucracy means that there is less need for expensive experts to advise on overcoming legal obstacles, it may also mean less regulation in the future, all of which may be a deciding factor
4	6-10	<p><u>Low Level 4: 6-7 marks</u></p> <p>Evaluation must be present, such that candidates make judgments as to the importance of ease of doing business</p> <p><i>Award 6-7 marks if one side is in context</i></p> <p><u>Mid Level 4: 8 marks</u></p> <p>Effective evaluation with context on both sides</p> <p><u>High Level 4: 9-10 marks</u></p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion (candidates may use MOPS).</p>	<p>e.g. Other factors may be much more important such as other production costs, skills and availability of labour force, infrastructure</p> <p>e.g. much may depend on the nature of the business and its particular requirements such as a research laboratory may require high skills and good infrastructure rather than cheap labour</p> <p>e.g. location may not be a choice a business has if it is determined by access to raw materials such as oil companies</p> <p>e.g. long term considerations may outweigh short term advantages or indeed drawbacks, and ease of doing business may only be a one-off obstacle at the outset</p>

***N.B. If analysis is not in context restrict to bottom L3 – 3 marks
If evaluation but no context anywhere restrict to top L3 – 5 marks***

Question Number	Question		
9.	Evaluate the likely impact on UK businesses of China's growing economic power. (15 marks)		
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of key terms</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	e.g. defines or identifies what is meant by growing economic power – such as sustained increases in GDP
2	3	<p>Application: basic points developed to show awareness of context in terms of impact of China's growing economic power on UK businesses</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	e.g. China has experienced high growth rates due to demand for exports; use of Evidence C such as Manchester Airport
3	4-7	<p>Candidate analyses using reasons/causes/consequences/costs to show the impact of China's growing economic power on UK businesses</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i></p>	<p>e.g. Chinese economic power leads to increased amounts of FDI as given in Evidence C</p> <p>e.g. This creates demand for many UK businesses who may supply materials/services to projects such as the Airport City</p> <p>e.g. FDI can provide much needed investment for UK businesses and can revitalise businesses or provide finance that was not available elsewhere such as the Hinckley nuclear power station</p> <p>e.g. Growing economic power can mean increased sales for UK products with income elastic demand such as luxury/fashion/hi-tech goods which leads to increased sales and profitability, extension of product life cycle, escape from saturated markets</p>
4	8-15	<p><u>Low Level 4: 8-10 marks</u> Evaluation must be present i.e. a candidate balances his/her answer</p> <p><i>Award 8 – 10 marks if one side is in context</i></p> <p><u>Mid-Level 4: 11 - 12 marks</u> Effective evaluation with context on both sides and a conclusion may be attempted.</p>	<p>e.g. candidates begin to contrast those sorts of UK businesses that will perhaps benefit from China's growing economic power such as those providing goods and services increasingly demanded by China and the Chinese, as opposed to those that may be threatened and face increased competition. The degree and scope of these changes may be discussed</p> <p>e.g. Benefits may be short lived as profits and subsequent orders are routed back to China rather than benefiting UK businesses</p> <p>e.g. UK businesses may face</p>

	<p><u>High Level 4: 13-15 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate and may lead to a convincing conclusion (candidates may use MOPS).</p> <p><i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>increased competition from Chinese MNCs expanding and growing such as Huawei, Haier and Lenovo that will take away market share</p> <p>e.g. Increased levels of investment may mean increasing loss of control by UK businesses as decisions are made in China's interests</p> <p>e.g. profits may be repatriated rather than being re-invested to benefit UK businesses</p> <p>e.g. takes the basic evaluation further and perhaps really looks at the differing impacts on some businesses in some detail and in particular at the changing structural nature of the Chinese economy as it grows and how this will impact businesses</p> <p>e.g. The short term situation may be contrasted with the long term. Good examples will be given in context and a rounded evaluative conclusion will be present.</p>
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***N.B. If analysis is not in context restrict to bottom L3 – 4 marks
If evaluation but no context anywhere restrict to top L3 – 7 marks***

