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Pearson Edexcel Level 3 GCE		Centre Number	Candidate Number
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<h1 style="margin: 0;">Economics B</h1> <p style="margin: 5px 0;">Advanced</p> <p style="margin: 0;">Paper 2: Competing in the global economy</p>			
Tuesday 12 June 2018 – Afternoon		Paper Reference	
Time: 2 hours		9EB0/02	
You do not need any other materials.			Total Marks <div style="border: 1px solid black; height: 40px; width: 100%;"></div>

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.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- 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.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A to C) before answering Question 1.

Write your answers in the spaces provided.

Extract A

The value of tourism in England

England's tourism sector is vibrant and vital. Tourism works hand-in-hand with a wide range of sectors across England, including farming, transport, retail, sport, museums and the arts.

Taking into account direct and indirect impacts, tourism in England contributes £106bn to the British economy and supports 2.6 million jobs. Looking at direct impacts only, tourism still contributes £48bn, supporting 1.4 million jobs. In 2011, there were 208,880 VAT registered businesses in England's tourism sectors, including accommodation, food and drink, transport, travel agencies and cultural activities. 5

In 2015, overseas visitors to England spent £19.4bn, making 31.8 million trips and staying for 241 million nights in accommodation in England. In addition, England's tourism sector is expected to benefit from the depreciation of the pound following the decision, in June 2016, to leave the European Union. 10

The VisitBritain website is a valuable hub of information for potential tourists and achieved over 22 million page views in 2015/2016. 15

(Source: adapted from © British Tourist Authority 2016)

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Extract B**Number of Chinese tourists visiting UK increases**

The number of Chinese tourists visiting the UK increased by 37% in the first nine months of 2015, taking the total to more than 200,000 visitors.

VisitBritain, which is hoping to double the spending from Chinese visitors to £1bn by 2020, said they were already among the highest spenders at £2 688 per person. Chinese visitors already account for almost 25% of tourist spending in the UK.

5

Higher incomes have allowed millions of Chinese to start taking holidays outside of China. The World Tourism Organization estimates 100 million Chinese will leave China to go on holiday in 2016. While Asian countries make up the top five destinations, France, Italy, Switzerland and Germany are also in the top 10.

10

The UK has proved less popular, as it is outside the EU's Schengen single-visa bloc. In a bid to boost visitor numbers ahead of Chinese New Year on 8 February 2016, the UK introduced a new two-year visitor visa for Chinese nationals. The new visa costs £85, the same as the previous six-month visa, and enables holders to make multiple trips to the UK.

15

"China is the world's largest outbound market and a huge tourism opportunity for Britain," said a VisitBritain Director.

(Source: adapted from © 2017 Guardian News and Media Limited)

Extract C**London 'one of the most unethical tourist destinations in the world'**

London hotel workers are being exploited with low pay and "shameful" employment practices, a trade union has claimed.

According to the union, many migrants are employed in London's hotels and are being left exhausted after their shifts because of long hours and staff shortages. Chefs have suffered accidents caused by tiredness and hotel staff do not have time to eat or have a break.

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The union's regional secretary for London said "the London hotel sector is failing its workforce. It has become an example of low pay and exploitation. If these stories tell us anything, it is that shameful work practices, similar to those exposed in the retail sector, have no place in 21st-century Britain. Low pay, zero-hour contracts and open hostility to trade unions have become standard practice, making London one of the most unethical tourist destinations in the world. It is a sad fact that hotel workers in less developed countries are often shown more respect when it comes to their basic human and trade union rights, than workers in London, the capital of the world's fifth largest economy."

10

15

(Source: adapted from <http://www.standard.co.uk/news/london/london-one-of-the-most-unethical-tourist-destinations-in-the-world-a3326541.html>)

- 1 Average wages in China increased from ¥29 229 per year in 2008 to ¥62 029 per year in 2015.

In the same period, there was an increase of 161% in outbound tourists from China.

- (a) Using this information, calculate, to 1 decimal place, the income elasticity of demand for outbound tourism from China. You are advised to show your working.

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(b) Using Extract B, explain **one** impact of the increase in tourists from China on the UK Balance of Payments.

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(c) Explain **one** way in which the digital economy may boost UK tourism.

(4)

(d) Analyse the impact a trade union could have on the London hotel industry.

(6)

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- (e) Using a suitable diagram, discuss the likely impact of advertising and other promotional methods on the price elasticity of demand for UK holidays.

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- (f) Assess the claim that China represents 'a huge tourism opportunity for Britain'.
(Extract B)

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(g) Assess the likely impact of the depreciation of the pound on the UK tourism industry.

(12)

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The low wages and poor working conditions of staff in the London hotel industry are entirely due to the factors influencing the demand and supply of labour.

(h) Assess the accuracy of this statement.

(12)

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

SECTION B

Read the following extract (D) before answering Question 2.

Write your answer in the space provided.

Extract D

***Britvic* to cut costs amid inflation concerns**

Britvic has announced cost-cutting plans as it warned that 2017 would be another 'challenging' year amid rising inflation from the Brexit-hit pound.

Britvic, which also bottles Pepsi in the UK, announced it will attempt to cut another £5m off its annual costs. It posted a better-than-expected 10% rise in pre-tax profits to £151.9m for the year ending October 2016, but gave a cautious outlook for the year ahead. The Chief Executive of *Britvic* said: "2017 will be another challenging year, with difficult trading conditions and an increase in input costs for the first time in several years." 5

The vote to leave the EU and the sugar drinks tax from April 2018 have "created additional uncertainty," he said. Large consumer goods firms have been under pressure from the weaker pound and rising commodity prices, with *Unilever*, the maker of Marmite, entering a high-profile dispute with *Tesco* in October 2016 after seeking unsuccessfully to push through a reported 10% price increase. 10

(Source: adapted from © Belfast Telegraph)

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2 Evaluate the impact of rising inflation on UK-based firms such as *Britvic*.

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Read the following extracts (E and F) and Figure 1 before answering Question 3.

Write your answer in the space provided.

Extract E

The economy of Madagascar

Madagascar is an island off the east coast of Africa. It is the 131st largest export economy in the world with 75% of employment in the agricultural sector.

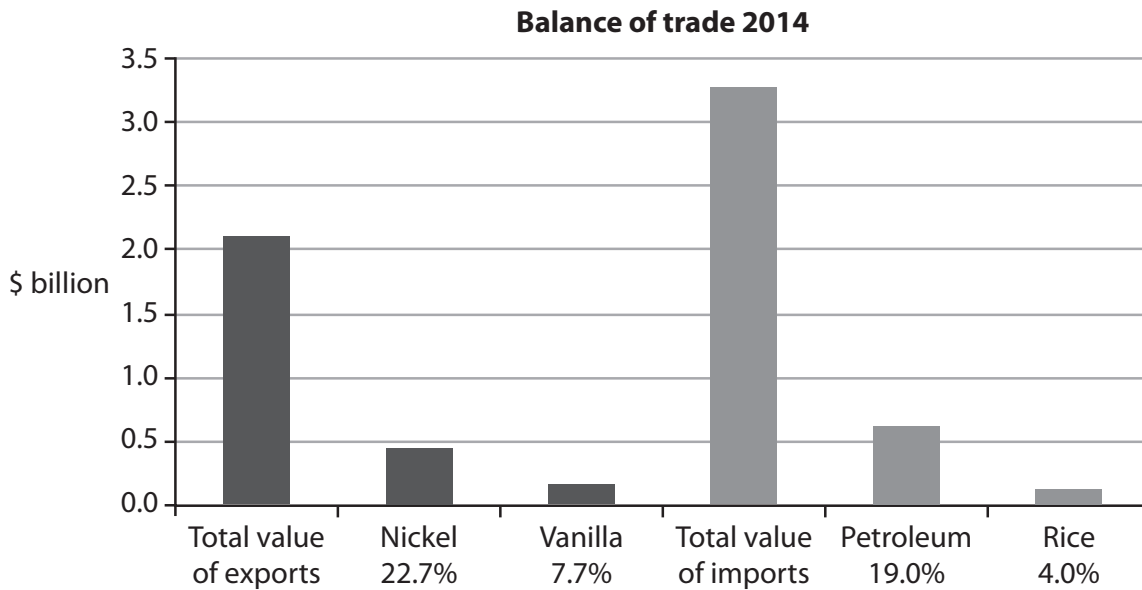


Figure 1

The top export destinations in terms of value are France, the United States, Belgium, Luxembourg, Germany and South Africa.

The top import origins are China, the United Arab Emirates, France, India and South Africa.

(Source: adapted from <http://atlas.media.mit.edu/en/profile/country/mdg/>)

5

Extract F**Overcoming the shameful paradox in Madagascar's vanilla sector**

There is absolutely no reason why small-scale farmers producing the world's most used flavouring and the second most expensive spice in the world – vanilla – should live in absolute poverty. This is, however, currently the case in Madagascar. About 80,000 small-scale farmers produce Madagascar's vanilla, the majority of whom live on less than \$1 a day and suffer extreme income insecurity. Meanwhile, Madagascar is the world's top producer of natural vanilla. 5

Recent research indicates that a handful of food and beverage multinationals are the most powerful stakeholders in the Madagascar vanilla supply chain. These companies can, and should, help small-scale farmers to break out of the cycle of poverty by ensuring that they are paid a fair price for their vanilla. A fair price covers, among other things, a living wage for farmers, any other labour either from family members or hired labourers, plus all costs and risks involved in the production. 10

Earning a fair price will give farmers an opportunity to take better care of their families, invest in insurance to recover from unexpected events, invest in new and diverse crops, and have savings to fall back on. This is the main topic companies should be focusing on in order to ensure a fair system for these farmers and to contribute to sustainable vanilla production. 15

(Source: adapted from <http://www.fairfood.org/wp-content/uploads/2015/02/Overcoming-the-shameful-paradox-in-Madagascars-vanilla-sector-Deep-Roots-FAO.pdf>)

- 3** Madagascar specialises in the production of primary commodities such as nickel and vanilla.

Evaluate the impact of specialisation as a source of economic growth for developing economies such as Madagascar.

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 100 MARKS

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