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Pearson Edexcel
Level 3 GCE

Centre Number

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Economics B

Advanced

Paper 2: Competing in the global economy

Tuesday 13 June 2017 – Afternoon
Time: 2 hours

Paper Reference

9EB0/02

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.
- 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 UK balance of trade in 2013

Component	£m
Export of goods	306 810
Import of goods	417 006
Export of services	204 465
Import of services	126 369

(Source: © Office for National Statistics / Crown Copyright)

Extract B

Frozen yogurt firm takes on the world

The Bristol based firm *AngelBerry* was founded in September 2011. The frozen yogurt retailer has only two UK stores, both in Bristol. There are currently six international franchised stores across the UAE, Mauritius and South Africa.

Its franchising model has helped the firm expand into warmer climates where frozen products sell well all year round. The firm now has deals in place for 80 stores across the Gulf States by 2018, with further expansion planned in South Africa and the UAE. There are a number of other potential deals, including one with a cinema chain to roll out a kiosk version and further expansion into Europe and Asia.

The firm's founders explained: "We both took a trip to the US to research every aspect of the frozen yogurt business. This trip gave us invaluable insight into how the US market is growing and operating. It's essential to carry out thorough research before you start exporting. It will help prevent costly mistakes, boost your chances of choosing the right market and show you how to sell your products and services in that market."

(Source: adapted from Frozen yogurt company takes on the world © exportbritain.org.uk)

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Extract C

Teesside docks largest cargo vessel in history

In December 2015, the largest cargo vessel in history to ever pass under Teesside's Transporter Bridge set sail for overseas markets, demonstrating the continued strength of exports from the region. The cargo vessel, which is 172 metres long and 28 metres wide, docked at the deep-water quay of the firm *AV Dawson* before loading 21,000 tonnes of cargo. The cargo vessel was fully loaded within just six days. It then set off for export markets in Europe. The huge size of the ship allows exporters to benefit from economies of scale. 5

The Managing Director (MD) at *AV Dawson* said: "The work that we've done over the last three years to dredge the river and develop our quayside is part of a multi-million pound plan. It is now enabling us to attract multinational customers, and to transport more raw materials and finished products through Teesside and out to global markets. The investment programme included the purpose-built £3.4m deep-water quay, providing us with greater capacity to support larger and more economical vessels, effectively opening up Teesside to more export opportunities." 10

The MD continued to explain that, "Nowhere is the phrase 'time is money' more apt than when referring to shipping, so we employed two 100-tonne cranes simultaneously to speed up the loading process, reducing time in port and creating substantial savings for our customers, whilst enabling the vessel to be on its way as quickly as possible." 15

(Source: adapted from Teesside exports largest cargo vessel in history, Jamie Hardesty © bdaily.co.uk 2016)



(c) Using data from Extract A, explain **one** reason why the UK economy can be described as developed.

(4)

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(d) Analyse why the owners of *AngelBerry* advise that it is 'essential to carry out thorough research before you start exporting'.

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(e) Using a suitable diagram, discuss the likely impact of increasing net exports on the UK economy.

(8)

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(f) Assess the merits of *AngelBerry's* decision to focus upon developing economies for its growth.

(10)

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(g) Part of the £3.4m investment in the Teesside deep-water quay was provided by the UK Government.

Assess the likely impact of the investment on the local economy.

(12)

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(h) Assess the likely effectiveness of using fiscal policy to reduce the deficit in the UK balance of trade in goods.

(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

Selection of Economic Development Indicators 2013

	GDP per capita (US\$ current)	HDI	Income GINI coefficient
UK	41 776	0.89 Rank 14	0.36
Brazil	11 711	0.74 Rank 79	0.54
Russian Federation	14 487	0.77 Rank 57	0.40
India	1 455	0.58 Rank 135	0.33
China	6 991	0.71 Rank 91	0.42

(Sources: <http://hdr.undp.org/en/content/human-development-index-hdi-table>,
<http://hdr.undp.org/en/content/income-gini-coefficient> and
<http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>)



2 Using Extract D, evaluate the effectiveness of GDP per capita in comparing living standards between countries.

(20)

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SECTION C

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

Write your answer in the space provided.

Extract E

Norway running short of options as it tries to improve ties with China

Norway has paid a high price since Chinese dissident Liu Xiaobo was awarded the Nobel Peace Prize in 2010. In September 2014, China announced a ban on salmon infected with ILA, a virus that is harmless to humans but prevalent in European waters. While the Chinese body that regulates food safety claims that the new ban was in response to its discovery of a batch of contaminated Norwegian salmon, experts suspect it has more to do with politics. 5

Norwegian salmon has been at the centre of Chinese trade restrictions since 2010. Norway has made ongoing efforts to placate the Chinese Government – most notably its having recommended China as a permanent observer on the Arctic Council – an intergovernmental forum in which northern states discuss shipping and security issues. But Norwegian exporters continue to meet unforeseen obstacles and diplomatic contact between the two countries remains limited. 10

Norway is not a member of the European Union but is an oil-rich country, with large gas reserves and a large budget surplus. It can exist economically independent of China. However, it is missing out on a potentially large market. Norway's share of the Chinese salmon market, for example, has dropped from 90% to 30%. 15

(Source: adapted from Norway running short of options as it tries to improve ties with China, Sarah Karacs © 2016 South China Morning Post)

Extract F

Marine Harvest pursues net gains in Scotland

Marine Harvest, a Norwegian registered firm which operates 38 fish farms in Scotland supporting around 460 jobs, is the world's largest producer of farmed salmon, operating in 22 countries. Its Scottish business unit was highlighted as the firm's best-performing in 2011, with high production, good price achievement and good operational performance. Scotland is currently the largest producer of farmed Atlantic salmon in the European Union and third largest globally, accounting for more than one-third, by value, of Scotland's food exports. 5

Exports are now reaching emerging markets such as China, where there was an agreement with the Government in Beijing to enable direct exports to the country. While mean annual nominal incomes in China rose from ¥29 229 in 2008 to ¥56 339 in 2014, total farmed salmon sales increased nearly 900% to a record 6,779 tonnes, demonstrating the growing demand from new marketplaces for Scottish seafood. 10

(Source: adapted from Marine Harvest pursues net gains in Scotland © hie.co.uk)



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3 Evaluate the likely impact of trade restrictions upon multinational firms, such as *Marine Harvest*.

(20)

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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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