



**OPTION 1**

**If this option is attempted, answer ALL the questions in Section A and ONE question chosen from Section B.**

**If you answer Option 1 put a cross in this box .**

**SECTION A**

**Read carefully the material provided in Evidence A and B and then answer ALL the questions that follow.**

**Evidence A**

**How Peru made its claim**

When the European Union (EU) decided in 2001 that only *Sardina pilchardus walbaum* could be marketed as sardines – the species that swims in European waters – it meant that *Sardinops sagax* – its Pacific Ocean relative – could not be sold as ‘sardines’ in European shops.

This came as a shock to Peruvian sardine exporters and Peru had to ask the World Trade Organisation (WTO) to over-rule the European Union ban. 5

They sought legal advice at ACWL, an organisation created by a group of developing and developed countries including the UK, which provides free legal advice on WTO law for developing and transition countries. ACWL pointed out that ‘sardines’ from the Pacific Ocean are marketed as ‘sardines’ in most world markets. It showed from international law that the non-European species – such as *Sardinops sagax* – can be called ‘sardines’ if their origin is clearly stated on the label. It made a strong case that Peru should be able to sell its produce in European Community markets as ‘Pacific sardines’. 10

**Evidence B**

**Can trade solve the problems of the poorest countries?**

The removal of all of the rich countries’ barriers to the merchandise exports of developing countries—including agriculture, textiles, and other manufactured goods—would result in very little additional income for the exporting countries. According to the World Bank’s estimates, when such changes were fully implemented by 2015, they would add 0.6 per cent to the GDP of low and middle-income countries. This means that a country in Sub-Saharan Africa with a per capita income of \$500 per year in 2015, would instead have a per capita income of \$503. 5

Developing countries incur substantial problems from reducing their trade barriers. In many developing countries, tariff revenue accounts for 10–20 per cent of government revenue, and in some cases considerably more. If tariffs are reduced or eliminated, these countries will have to impose large increases in other taxes in order to keep their budgets in line. 10

The removal of trade barriers is also likely to lead to large disruptions in agriculture. In most developing countries, a large portion of the population is still tied to the agricultural



sector. If barriers to agricultural imports are removed too quickly, it can lead to large-scale displacement of the rural population. Standard economic models assume that these people are re-employed in other sectors of the economy. However, rapid import liberalisation can lead to substantial unemployment and underemployment, as well as dangerous levels of social and economic instability.

Adapted from: <http://www.cepr.net/publications/trade> The Relative Impact of Trade Liberalization on Developing Countries by Mark Weisbrodt and Dean Baker

1. Examine the potential impact of the EU marketing restrictions on the sale of Peruvian sardines.

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**Q1**

**(Total 7 marks)**

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**SECTION B**

**Answer ONE question from this section.**

**EITHER**

*Trade barriers imposed by the EU are said to slow down the development of the poorest countries in the world. If Africa could increase its share of world trade by just 1%, it would earn an additional £49 billion a year. This would be enough to lift 128 million people out of extreme poverty.*

Adapted from: 'EU Trade Barriers Affect Developing Countries'  
<http://www.monsanto.co.uk/news/ukshowlib.phtml?uid=7471>

4. (a) Examine possible consequences of trade liberalisation for EU companies. **(10)**
- (b) Evaluate the tradeoffs associated with the trade barriers imposed on developing countries for **two** stakeholder groups. **(15)**

**Q4**

**(Total 25 marks)**

**OR**

*Leading UK supermarket retailer Tesco has suffered a rare setback after the breakdown of talks with a potential joint venture partner in India.*

*International food retailers are keen to expand into India. With a fast-growing middle class and a population of more than 1 billion it is seen as a crucial battleground.*

Adapted from: *Daily Telegraph* 'Tesco loses its potential partner in India deal'  
by Richard Fletcher 25 November 2006

5. (a) Examine the reasons for UK firms wishing to enter into joint ventures. **(10)**
- (b) Evaluate **two** factors which may influence businesses such as Tesco in their decision to invest overseas. **(15)**

**Q5**

**(Total 25 marks)**

**Indicate which question you are answering by putting a cross in the box (☒).  
If you change your mind, put a line through the box (☒)  
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Chosen question number:    **Question 4**         **Question 5**





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**OPTION 2**

**If this option is attempted, answer ALL the questions in Section A and ONE question chosen from Section B.**

**If you answer Option 2 put a cross in this box .**

**SECTION A**

**Read carefully the material provided in Evidence A and B and then answer ALL the questions that follow.**

**Evidence A**

**Dyson to put brakes on UK skills slide**

The UK produces 24,000 engineering graduates every year, compared with 300,000 in China and 450,000 in India. According to a recent survey by the Organisation for Economic Co-operation and Development (OECD), the UK's record on skills and qualifications is one of the biggest barriers to growth in the coming years. Some analysts have claimed that a recent slump in UK productivity is largely due to the shortcomings of the educational system and a skills shortage. 5

James Dyson is to set up a new academy of design and enterprise, after despairing at how UK schools neglect budding young engineers. The inventor and entrepreneur is planning to create a fresh curriculum for teaching engineering and design at a school to be opened in Bath. It is the latest sign that business leaders are having to take drastic steps to arrest the decline in skills and competitiveness in the UK. 10

Dyson said his company's corporate planning focused on research and development, product portfolio, innovation and the identification of new opportunities. It manufactures in Malaysia, but employs a growing team of engineers and designers at its Malmesbury headquarters. 15

Adapted from: Dyson to put brakes on UK skills slide by Edmund Conway, 11 November 2006

**Evidence B**

**China is beating Europe at its own game**

The Organisation for Economic Co-operation and Development (OECD) reports that China is spending £69 billion on research and development – more than Japan. Spending on research does not equal innovation because the spending is only as good as the research it funds. The money reflects China's wish to focus on design, product innovation and becoming the best. Achieving this means spending more money on more expensive people, hiring in foreign talent and investing, not in profit centres but cost centres. In the end, it means adding more value and driving the products up market. It has little to do with piling them higher and selling them cheaper. 5

Adapted from: Carl Mortished: European briefing *The Times* 6 December 2006









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8. Evaluate the impact that skills shortages may have on the UK economy.

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**SECTION B**

**Answer ONE question from this section.**

**EITHER**

*Hewlett-Packard is conscious of its culture (The HP Way) and has planned carefully to maintain it over the years. Hewlett-Packard's Corporate culture is based on: 1) respect for others, 2) a sense of community, and 3) plain hard work. It has been developed and maintained through extensive training of managers and employees. HP's growth and success over the years has been due in large part to its culture and corporate planning.*

Adapted from: <http://www.auxillium.com>

9. (a) Examine **two** ways that business culture may help to facilitate change in an organisation. (10)
- (b) Evaluate the role of corporate planning in developing strategies to deal with uncertainty. (15)

Q9

**(Total 25 marks)**

**OR**

*"The Monetary Policy Committee has been concerned that inflationary pressures in the early part of the supply chain were building, which would eventually be passed through to consumers."*

Adapted from: John Butler, UK economist at HSBC,  
*Daily Telegraph* Margins on the mend for manufacturers by Edmund Conway 12 December 2006

*"To reduce the effect of the continued high input prices, purchasing managers are shrewdly managing stock inventory by reducing both pre- and post-production stock."*

Adapted from: Roy Ayliffe, director of professional practice at CIPS,  
*The Times*, UK corporate profits hit record high by Rhys Blakely 3 October 2006

10. (a) Examine **two** ways that a business may thrive in a period of contraction. (10)
- (b) Evaluate the implications of rising prices for the economy. (15)

Q10

**(Total 25 marks)**

**Indicate which question you are answering by putting a cross in the box (☒).  
If you change your mind, put a line through the box (☒)  
and then indicate your new question with a cross (☒).**

Chosen question number:    **Question 9** ☒        **Question 10** ☒









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**OPTION 3**

**If this option is attempted, answer ALL the questions in Section A and ONE question chosen from Section B.**

**If you answer Option 3 put a cross in this box .**

**SECTION A**

**Read carefully the material provided in Evidence A, B and C and then answer ALL the questions that follow.**

**Evidence A**

A report by the World Intellectual Property Organization (WIPO) notes a boom in patent filings in North East Asia over the past 20 years, most notably with the emergence of China and the Republic of Korea as major industrial economies. For several decades Japan has had the busiest patent office in the world, with more than 400,000 patent applications filed by residents and non-residents in 2004. In only 20 years, China has become the 4th largest patent office in the world (by number of patent applications filed) and patent filings by Chinese residents grew more than five-fold between 1995 and 2004 to reach 65,786. Today, the Republic of Korea is the 3rd largest patent office in the world and is also experiencing very high growth rates with a three-fold increase in patent filings by residents between 1994 and 2004.

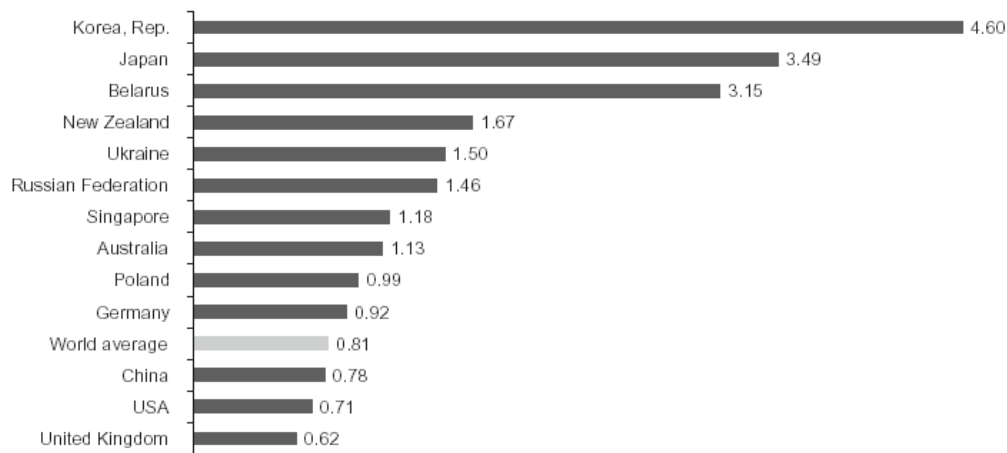
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[http://www.wipo.int/edocs/prdocs/en/2006/wipo\\_pr\\_2006\\_463.html](http://www.wipo.int/edocs/prdocs/en/2006/wipo_pr_2006_463.html)

**Evidence B**

There are large variations in the output of patent applications relative to research and development spending.



**Patent Filings per million \$ R&D Expenditure**

Adapted from: WIPO Statistics Database, World Bank – World Development Indicators, UNESCO, Institute for Statistics



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### Evidence C

At the end of the 1990s Electrolux, the Swedish white goods maker, was struggling to keep its high-cost European factories afloat, in a sea of cheap Korean and Chinese-manufactured appliances. It recognized the threat and made the transition from being a cost-led to a design-led manufacturer. It moved manufacturing to Asia and then doubled R&D spending. Electrolux needed to differentiate its products from the mountain of cheap Asian microwaves and fridges. It did its own research into consumer behaviour and followed mums, dads and singletons into their kitchens to find out what they really did with the frozen fish fingers and Australian sauvignon. The result – fewer buttons, more thoughtful design, such as a clothes dryer that reduces wrinkles in shirts and a wine cooler unit in the fridge. It sounds more like advanced marketing than research and technology, but that is progress in an industry where European and North American manufacturers have failed to play to their advantage: knowledge of the customer.

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Adapted from: Carl Mortished: European briefing *The Times* 6 December 2006









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Q13

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**TOTAL FOR SECTION A: 25 MARKS**



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**SECTION B**

**Answer ONE question from this section.**

**EITHER**

*Women make up the majority of staff working in the financial services (55%) yet the finance sector has the largest pay gap of any sector. Women on average earn a startling 41% less than men.*

*Amicus Union maintains that ending inequality in women's pay and career progression is good for business and that UK employers can not afford to overlook the contribution that women can make if they are allowed to break through the glass ceiling.*

Adapted from: <http://www.epolitix.com/NR/exeres/412122EC-B960-469E-8D5B-EB95C1EAA770>

**14. (a)** Examine the reasons for the continuing disparity between the salaries paid to men and women. **(10)**

**(b)** Evaluate **two** strategies which firms might employ to build relationships with their employees. **(15)**

**(Total 25 marks)**

**Q9**

**OR**

*Woolworths chief executive Trevor Bish-Jones said sales of seasonal ranges were a week behind last year's levels and that clothing sales were hit by the recent mild weather. "All clothing retailers are praying for a cold snap." Woolworths' shares lost nearly 7.5% to close at 34p.*

Adapted from: 'Sales slump at Woolworths triggers fears of a poor Christmas in the high street' by Julia Finch, *The Guardian* 6 December 2006

**15. (a)** Examine the implications of a falling share price for a public limited company. **(10)**

**(b)** Evaluate **two** reasons why firms may wish to 'window dress their accounts'. **(15)**

**(Total 25 marks)**

**Q10**

**Indicate which question you are answering by putting a cross in the box (☒).  
If you change your mind, put a line through the box (☒)  
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Chosen question number:    **Question 14** ☒            **Question 15** ☒



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**TOTAL FOR SECTION B: 25 MARKS**

**TOTAL FOR OPTION 3: 50 MARKS**

**TOTAL FOR PAPER: 100 MARKS**

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