

Question 5(a)(i)

Candidate A

5(a)		THIS MARGIN
i)	<p>The factor is would be a new market to penetrate ^{more economies of scale} as there is a new market of customers. ^{achieved}</p>	
	<p>Another factor could be free prescriptions and higher education increasing a healthier workforce that</p>	
	<p>could be more productive and efficient and increased</p>	
	<p>for pool of highly educated workers to employ, that</p>	
	<p>may also improve productivity and efficiency and so</p>	
	<p>increase output and likely hood of increased sales</p>	
	<p>and profits.</p>	
	<p>Another factor may be that is located closer to ^{raw materials sources} oil so</p>	
	<p>oil could be cheaper to transport and closer to acquire</p>	
	<p>so faster and more efficient.</p>	
	<p>Another factor may be to exploit natural resources</p>	
	<p>such as wind and oil which is in abundance in Scotland</p>	
	<p>Another factor may be related good infrastructure</p>	
	<p>such as roads and technology such as communication</p>	
	<p>One other factor may be reduced transport costs of resources resources and materials as they are in Scotland.</p>	

Candidate B

5.)		
a.)	If the government is providing subsidies & so the firms may experience lower costs & higher profits.	
	Scotland is currently within the EU which means that the firms could have a large export market from Scotland that has no trade barriers.	
	Scotland has a highly educated workforce,	

		MARKER
	especially in the financial sector, so firms may locate to Scotland to benefit from a better educated workforce which increases productivity.	
	If Scotland had an abundance of the cheap resources required to make the firm's products, locating in Scotland may reduce costs.	
	Scotland has good levels of infrastructure meaning that firms can lower costs through cheaper transport.	

Candidate C

5(a)(i). Low interest rates may attract foreign firms to Scotland. This will allow them to take out a loan ~~which~~ borrow finances and at a relatively low cost.

- A weak ~~extra~~ exchange rate/pound may attract FDI as it means their exports will be cheaper.

- A well educated and skilled workforce may attract foreign firms. Firms will benefit from work being of high quality and mistakes being low which will allow them to achieve maximum efficiency and increase profits.

- Scotland being part of Europe (for now) may attract foreign firms. The EU means Scotland benefits from free trade across European countries. This gives the firm access to new markets which

can lead to increased sales.

- The Government may offer the firm ~~&~~ incentives such as a grant to locate in Scotland, or tax reductions. This means the costs of production will be reduced.

Question 5(a)(ii)**Candidate A**

(ii) One disadvantage may be that ~~the~~ the managerial positions are taken by ~~many companies from~~ people from home country so only low skilled work may be available, resulting in deskilling of population. They may add to pollution if they set a factory. ~~There~~ and congestion due to increased use of roads for imports and workers.

Another disadvantage may be that the company may be ~~for~~ located and uprooted in a few years time to locate somewhere cheaper.

Another would be that money made may be sent home and not injected into the Scottish economy, reducing National income.

Another disadvantage would be that they may exploit and exhaust natural resources and leave little or all used up.

Candidate B

ii)	The firm may export goods & services from Scotland, damaging its balance of trade.	
	The firms may use transfer pricing in order to send their profits home so that the Scottish government can't tax it.	
	The firms may provide competition for	

	Scottish firms which may experience falling profits & may have to shut down. This would increase unemployment. This would also	
	increase the government's expenditure on Job Seekers Allowance & decrease its revenue from income tax.	
	The firm may use up natural resources in Scotland, damaging the environment & reducing possible future economic growth.	
	They have no ties to Scotland & so may leave at any point, creating large levels of unemployment.	

Candidate C

ii)	<ul style="list-style-type: none">• The jobs that foreign investment brings could be low skilled. This means that employees could face social problems from lack of job satisfaction leading to health problems such as depression which will be a strain on the NHS.• Foreign investment may lead to UK firms being put out of business due	
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	<p>to not being able to compete with low prices.</p> <ul style="list-style-type: none">• The balance of payments may be negatively impacted as the foreign firm may import their raw materials contributing to the trade of goods deficit.• The foreign investment may result in environmental damage due to transport costs. This may mean the Government has to put new legislation in place.• The resources may be from Scotland, which may lead to other firms being left with none. The exploitation of resources can lead to the opportunity cost of other goods not being made. <p>2/1/97</p>	
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Question 5(b)

Candidate A

b)	Foreign consumers can get more pounds for their currency & so UK exports become cheaper, so demand for them rises, increasing the profits of UK exporters.	
	UK consumers can get less of other	

	Currencies for their pounds, & so imports become more expensive, reducing the level of imports encouraging UK consumers to buy from UK firms.	
	Because foreigners can get more pounds for their currency, there will be an increase in foreign tourists visiting the UK.	
	This helps the profits of tourist UK tourist firms & also local firms that experience increased demand from tourists.	
	Because UK firms are making more profits, the government is making more in corporation tax & so can spend more on infrastructure & transport etc., reducing the costs for UK firms & increasing their profits.	

Candidate B

b) The sterling depreciation will cause the UK firms exports to become more competitive, as foreign buyers can demand more of the product for the same price due to exchange rates, therefore improving the firm's

profits. These profits may allow the firms to expand their operation and achieve greater economies of scale. Also, UK consumers may demand more of the firm's products as they are more competitive, this is because the price of imports has risen and so due to substitution effect the UK firm will receive more demand.

Candidate C

56)	<ul style="list-style-type: none">• An advantage for UK firms of a depreciation in the value of sterling is it will make their goods cheaper to foreign buyers so exports will increase, increasing profits.• Another advantage is the UK firm will become more competitive with foreign firms in the same industry, this could lead to investment.• Another advantage is that for buyers within the UK, imports will become more expensive, so they'll be more likely to buy from the UK firm, increasing the UK firm's profits.	
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Question 5(c)

Candidate A

(c). A developing economy has little capital production and relies heavily on basic labour intensive work such as agriculture where as an emerging economy such as india will invest heavily in capital intensive production and the use of technology.

- A emerging economy has a growing "middle class" whereas a developing economy suffers from high levels of poverty and throughout much of the population.

• A developing country often has a low life expectancy e.g 52 in Chad and a high child mortality rate whereas an emerging economy has an ever growing young population which means they have a stronger workforce and in the future will have a larger output.

- An emerging economy may have an extremely high GDP due to rapid growth whereas a ^{developing} developing economy will have an extremely low GDP maybe even negative.

Candidate B

QUESTION	WRITE IN THIS MARGIN
c)	A developing economy has poor infrastructure due to lack of money to invest, whereas an emerging economy has improving infrastructure due to the increased amount of money in the economy.
	A developing economy has poor little economic growth due to the poverty and lack of investment but an emerging economy has increased economic growth due to the ^{increased} entrepreneurial activity and spending.
	A developing ^{economy} economy is reliant on 1 or 2 exports and they are often agriculture goods which are income inelastic, have whereas emerging economies become less dependent on just a few exports and also instead of just relying on agricultural goods, they move into manufacturing, services as well.
	Also, developing economy has a corrupt government who do not have a stable amount

QUESTION	
	of money as reserves and they can't take control of the country, whereas an emerging economy has political stability which with a powerful and charismatic leader.

Candidate C

C)	A developing economy has low levels of economic growth whereas an emerging economy has high levels of economic growth. A developing economy has low levels of exports, often relying on one or two exports, whereas emerging economies have high levels of exports. An emerging economy has good infrastructure & high spending on infrastructure whereas a developing economy has poor infrastructure. An emerging economy has increasingly higher GDP per capita & lower poverty rates whereas a developing economy has low GDP per capita & high poverty rates. A developing country has high levels of national debt whereas an emerging economy has lower levels of national debt.
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Question 5(d)(i)**Candidate A**

d) The World Trade Organisation's role is to reduce trade barriers by setting trade laws and promoting free trade. Also, it may back a nation, usually the smaller/less influential economy in order to ensure a fair deal has taken place.

Candidate B

d) The World Trade Organisation regulates trade which means it provides strict rules and regulations that must be followed. It negotiates free trade deals and sorts out trade disputes.

Candidate C

(d) The World Trade Organisation is a chair in trade disputes and is able to enforce penalties for not keeping agreements made.

Question 5(d)(ii)

Candidate A

ii)	The International Monetary Fund provides
	structured assistance to countries in need of aid, e.g. promoting more productive larger cocoa farms in the Ivory Coast to encourage increased output.
	Also the IMF provides instant loans and/or debt relief e.g. the IMF following the financial crisis of 2008/9 gave Iceland a £2.2 billion loan and Greece over £30 billion.

Candidate B

ii-	The international monetary fund looks to help developing and emerging economies. It provides money to countries in need which means it has loans money to countries in debt. It seeks to reduce income inequalities between developed and developing countries.
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Candidate C

(ii)	The International Monetary Fund negotiates ways of solving monetary issues by its member countries and provides financial (monetary) solutions to improve its members balance of payments
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