

Case study 1: Mark scheme

Chapter 1: The nature of business activity

Burlid Bags Ltd. (BBL)

BBL is a small company in the developing country of Gandia. It was set up ten years ago by Edel Burlid, a local entrepreneur. It produces luxury bags for famous companies with well-known brands. Products are exported worldwide. A lot of raw materials for the bags are imported from other countries.

As Gandia goes through the process of industrialisation, many companies are expanding and foreign companies are increasingly setting up new factories there. Edel is finding it more and more difficult to find the increasing numbers of skilled workers he needs to work in his factory. He also worries about the cost of his raw materials: costs seem to vary a lot as the exchange rates change. Profits are hard to make, and although he would like to upgrade conditions in the factory, he cannot afford to. He has also received some bad publicity in a recent article in a local newspaper. When his workers came to work in the town, many of them left their families behind, working in the primary sector in country villages. Local politicians have been making speeches about how workers are exploited and how family life in the villages is suffering.

The stress is beginning to affect Edel's health so much that he is considering selling the business to a big international company that has expressed interest in buying it.

SL questions: 20 marks, 35 minutes

- 1 Identify **two** ways in which economists could track the relative importance of the primary and secondary sectors in Gandia. (2)
 - employment levels as proportion of whole economy
 - output levels as proportion of whole economy
- 2 Examine **two** factors that could cause local politicians to say that BBL workers are exploited. (5)
 - low pay
 - poor factory conditions
 - any other relevant factor

Use **Resources table 1** SL mark band descriptors.

- 3 Comment on **two** problems that could arise from foreign companies buying companies such as BBL. (6)
 - weak local laws regarding pollution/worker protection allow lower-cost production to the detriment of local environment/workers
 - foreigners brought in to take management jobs
 - profits sent out of the country
 - any other relevant point

SL: apply **Resources table 1** mark band descriptors.

- 4** Discuss **two** arguments for and **two** arguments against industrialisation in countries such as Gandia. (7)

For:

- increase in local tax income may lead to investment in local infrastructure
- new technology brought to country
- local workers trained
- increase in GDP may lead to higher standard of living
- any other relevant point

Against:

- families may be split as workers move to towns
- loss of traditional culture
- exploitation of local workers by developed countries
- local laws may give inadequate protection to people and environment
- corrupt systems often result from industrialisation
- any other relevant point

SL: apply **Resources table 1** mark band descriptors.

HL questions: 25 marks, 45 minutes

- 1** Define the following terms: (2)
- a** developing country (2)
- Points may include: GDP growing, industrialisation, improving standard of living, increasing world trade.
- b** primary sector. (2)
- The extraction of raw materials from land or sea, e.g. farming, fishing, mining.

Apply **Resources table 3a** mark band descriptors.

- 2** Examine **two** factors that suggest local BBL workers are exploited. (6)
- low pay
 - poor working conditions
 - lack of local worker protection laws
 - any other relevant point

HL: apply **Resources table 2** mark band descriptors.

- 3 Analyse **two** arguments for and **two** arguments against industrialisation in countries such as Gandia. (6)

For:

- increase in GDP may lead to a higher standard of living
- lower imports needed, greater exports possible
- more jobs
- more tax income for country
- any other relevant point

Against:

- workers moving to towns – may lead to cultural disintegration
- lack of qualified staff after fast expansion
- imports of raw materials needed – cost varies with financial exchange fluctuations
- pollution
- multinationals may send profits out of country
- any other relevant point

HL: apply **Resources table 2** mark band descriptors.

- 4 Evaluate whether Edel should sell his company to the foreign investor. (9)

For:

- money could be used for alternative investments
- less personal stress
- local community could benefit from overseas investment
- local tax income rises if business is able to expand after investment
- any other relevant point

Against:

- would lose control of the business he has built
- local workers would perhaps be controlled by foreign managers
- exploitation of local workers
- profits may be sent abroad
- any other relevant point

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.