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Candidate surname					Other names						
Pearson Edexcel											
Level 3 GCE											
Centre Number					Candidate Number						
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Time 2 hours					Paper reference		9EB0/02				
Economics B											
Advanced											
PAPER 2: Competing in the global economy											
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.
- Good luck with your examination.

Turn over ►

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Answer ALL questions.

SECTION A

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

Write your answers in the spaces provided.

Extract A

Edinburgh to introduce £2 a day tourist tax

Edinburgh city councillors voted to be the first UK city to introduce a tourist tax. It is not likely to be introduced for at least two years as the Scottish Parliament has to pass it into law first.

The tax, officially known as the Transient Visitor Levy (TVL), will be added to the cost of all accommodation for the first week of a visitor's stay. The proposed £2 a day TVL previously gained strong support in a public survey, with 85% of respondents backing the tax.

5

Edinburgh's City Council estimates that with more than four million visitors a year the tax would raise an estimated £14.6m annually, which could be used to reduce the external costs of mass tourism to the city.

10

(Source: adapted from <https://www.independent.co.uk/travel/news-and-advice/edinburgh-city-tourist-tax-scotland-holiday-city-break-a8769141.html>)

Extract B

Tourism in Scotland: the economic contribution of the sector

In 2016, 207,000 people were employed in the tourism sector, 8% of total employment in Scotland.

Tourism's contribution to economic growth has been significant, with 2.3% growth for the sector in the third quarter of 2017, compared to 0.2% growth for the Scottish Economy as a whole.

5

Tourism accounts for a significant proportion of Scotland's exports, particularly with regard to services. Total exports from the sector were £900m in 2016, accounting for 2.4% of Scotland's total export of services, and for 1.2% of Scotland's total exports.

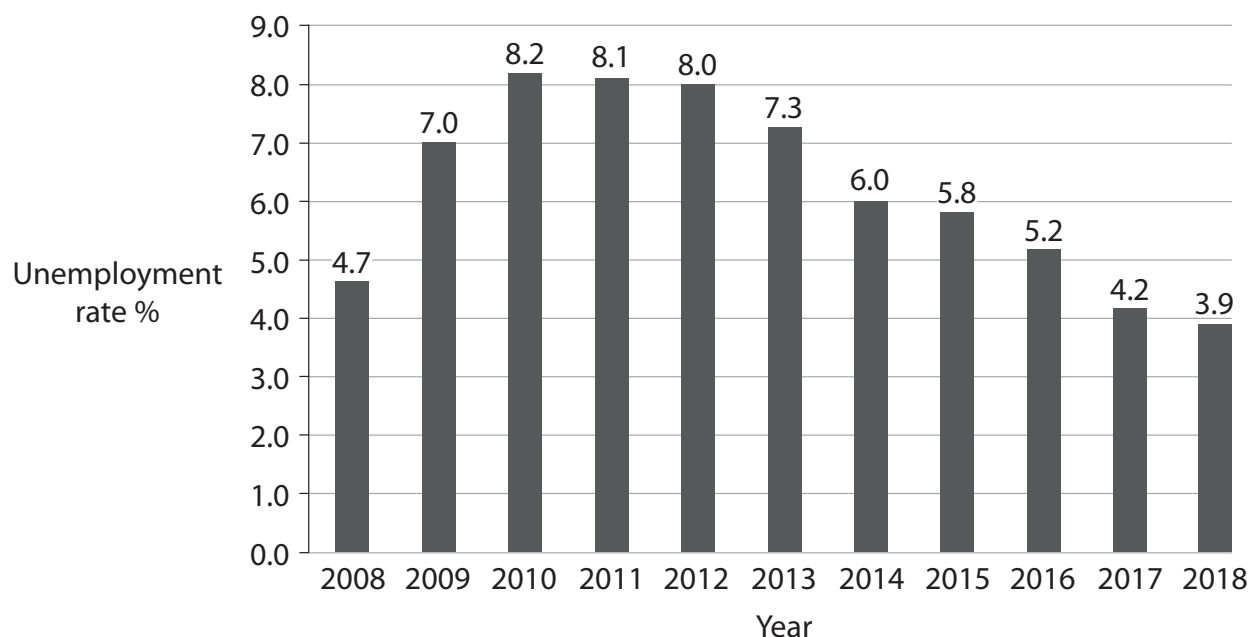
(Source: adapted from <https://www.gov.scot/publications/tourism-scotland-economic-contribution-sector/pages/2/>)

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Extract C**International Labour Organisation (ILO) unemployment rate in Scotland, 2008 to 2018**

(Source: adapted from <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/ycon/lms>)

Extract D**Ownership of Scottish firms**

In March 2019, 35.5% of private sector employment was in firms registered outside of Scotland. In Scotland this means:

- 17.4% of private sector employment was in firms owned in England, Wales and Northern Ireland 5
- 18.1% of private sector employment was in firms owned outside the UK
- 655 USA-owned businesses employed 114,220 people and generated 37.1% of all revenue from foreign-owned firms in Scotland
- 1,225 EU (non-UK) firms operated in Scotland
- EU (non-UK) firms employed 131,920 people and generated 34.6% of all revenue from foreign-owned firms in Scotland 10

In terms of individual countries, USA-owned firms accounted for the highest share of Scotland's foreign-owned firms, employment and revenue.

(Source: adapted from <https://www2.gov.scot/Topics/Statistics/Browse/Business/Corporate/KeyFacts>)



1 (a) Using the data from Extract C, calculate, to two decimal places, the mean rate of unemployment in Scotland between 2008 and 2018.

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In August 2018, the seasonally adjusted claimant count for Scotland was 2.7%.

(b) With reference to Extract C, explain **one** reason why the claimant count may be different to the International Labour Organisation (ILO) measure of unemployment in Scotland.

(4)

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(c) Explain **one** external cost caused by mass tourism to the city of Edinburgh.

(4)

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(d) With reference to Extract B, analyse the impact of the tourism industry on **two** components of aggregate demand (AD) in Scotland.

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(e) Discuss the likely impact of the Transient Visitor Levy (TVL) on tourism in Edinburgh.

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(f) With reference to Extract D, assess the likely impact of foreign-owned firms on the circular flow of income in Scotland.

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(g) Assess the likely impact of the falling rate of unemployment between 2010–2018 on firms in Scotland.

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GDP per capita in Scotland increased from £23 720 in 2008 to £29 800 in 2018.

(h) Assess whether this increase in GDP per capita is likely to improve living standards for everyone in Scotland.

(12)

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS



SECTION B

Read the following extracts (E to F) before answering Question 2.

Write your answer in the space provided.

Extract E

Success of the creative industries is prompting business investment

In 2019, official figures show that the film and TV industry is the fastest growing part of the UK economy, offsetting weakness in other sectors. The motion picture, television and music industry has grown by 43% since the start of 2016, compared with 6% in the service sector as a whole. This success is prompting foreign direct investment by multinationals: *Sky* is building new studios in Elstree, north London. Other new studios are being developed, such as Wolf Studio Wales in Cardiff and Titanic Studio in Belfast, where *Game of Thrones* was shot. In Scotland, the government has financed the development of Pentland Studios near Edinburgh.

5

The recent success of film and television is, in part, due to tax credits introduced in 2007 and extended in 2012. Productions that operate in the UK can claim back a rebate on their spending. Yet there is a risk here too. Few think the current boom in high quality television is sustainable. *Netflix*, *Amazon*, *Apple* and *Disney* are committing billions of dollars in a “spend-to-win” competition. Some analysts wonder who will survive in what may be an oversaturated market: potentially leaving local governments with empty studios once growth begins to slow down.

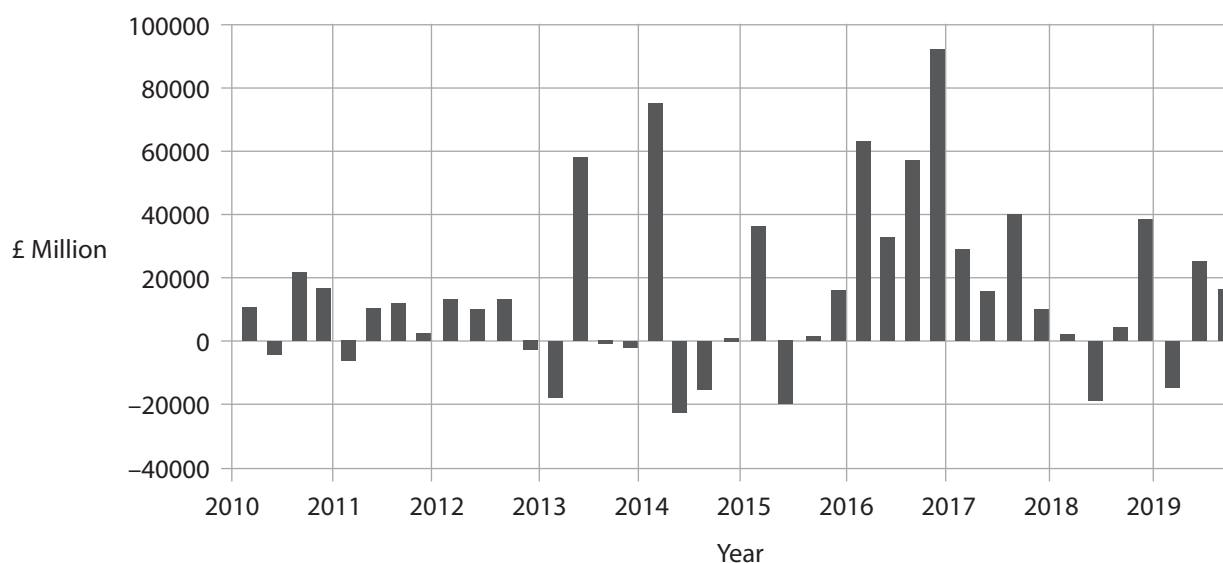
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(Source: adapted from <https://www.ft.com/content/f33e3722-ec01-11e9-a240-3b065ef5fc55?desktop=true&segmentId=d8d3e364-5197-20eb-17cf-2437841d178a#myft:notification:instant-email:content>)

Extract F

United Kingdom Net Foreign Direct Investment, 2010 to 2019



(Source: adapted from <https://tradingeconomics.com/united-kingdom/foreign-direct-investment>)



2 Evaluate the impact of FDI on a developed economy such as the UK.

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS



SECTION C

Read the following extracts (G to H) before answering Question 3.

Write your answer in the space provided.

Extract G

Meatless takeover

International Flavors & Fragrances (IFF) is planning to merge with *DuPont* nutrition and biosciences in a \$26.2bn deal. *DuPont* is a leading producer of the cultures, enzymes, soya proteins and probiotics that are used in the growing trend of meatless food products. The two companies would combine knowledge to serve this fast-growing meatless market. *IFF* offers features such as marks on meatless burgers that make them look grilled, while *DuPont's* capabilities include the 'texturants' that makes plant-based protein feel like beef when in the mouth. 5

The merger, announced in 2019, reflects attempts across the food technology sector to follow consumers as they try out products they perceive to be healthy, have fresher ingredients or leave a smaller environmental footprint. The rise of plant-based burgers typifies the trend. 10

The merger will enable the new firm to supply the pharmaceuticals and consumer products industries. *DuPont* turned down bids from *Kerry*, the Irish food producer, and Dutch chemicals company *DSM*, as it believed that expanding its product range was a priority. The combined company will have a value of \$45.4bn and annual revenues of \$11bn. *DuPont* shareholders will own 55.4% and *IFF* shareholders 44.6% of the new company. 15

(Source: adapted from <https://www.ft.com/content/dd7a0a1e-2019-11ea-92da-f0c92e957a96>)

Extract H

The veganism boom does more for food company profits than the planet

The number of people in the UK identifying as vegan or vegetarian is rising. However, it is not certain that a vast increase in plant-based diets would solve environmental problems. The carbon cost of industrial cropping is huge: by some estimates, up to 20% of the world's CO₂ output is a direct result of ploughing. Not all methods of animal rearing are equal. Grain-fed animals are environmentally harmful, yet pasture-raised cows and sheep can help to preserve the quality of the topsoil within which carbon is stored. It is not clear that a vegan diet is the healthiest. There is research pointing out that mixed diets could well be better than plant-based diets, particularly if those plant-based diets are high in carbohydrates and heavily processed food. 5 10

There is one group for whom the trend towards veganism is definitely a good thing: processed food manufacturers and retailers. What better time for the industry to find itself with a new market into which to sell factory-made, processed food? There is no reason why food companies should not respond to demand. However, with steak burgers costing £6.61 per kg and 'fake' burgers £21.81 per kg, those who are turning vegan might consider that most of these processed, packaged and shipped products are likely to do more for food company profits than for the planet or their health. 15

(Source: adapted from <https://www.ft.com/content/79c2aa16-35f1-11e9-bb0c-42459962a812>)

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In 2018, the market value for meat substitutes in the USA alone was estimated to be worth \$10.1bn and is forecast to reach \$30.92bn by 2026.

3 Evaluate the likely conflicts between stakeholder objectives as a result of the growth in this market.

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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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