

4 a

The EU is the largest free trade area in the world, meaning trade without the existence of barriers like tariffs and quotas. One implication of Brexit that will impact UK car industry is the reduced access to crucial raw materials. This will negatively impact car industry that relies on these for production as they will need to source from elsewhere. This is likely to increase production costs <sup>for</sup> the car manufacturer as they will have increased transport costs meaning they will likely experience cost push inflation and unless willing to damage profit margins will need to increase prices to maintain this. Therefore Brexit will reduce the competitive advantage due to increased costs and needing to change suppliers and distribution channels. Another implication is that as previously there was a free movement of goods, capital and people between member states the car industry will no longer benefit from the wider access to the labour market. This will likely increase costs of production further as although one benefited from cheap labour <sup>foreign migrants</sup> willing to work for less they will now need to increase wages to attract more UK workers. Furthermore, the car market relies heavily on transfer of technology and information in order to keep in car technology modern and updated to ensure customers want to continuing buying from the car industry. Due to this increase in cost it's likely that the



Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

Leave blank

4 A

UK car manufactures will also increase prices. Whilst this is okay for more luxury car brands like Audi and Bentley it will have a negative impact on manufactures like Ford and Renault. Furthermore, it's likely that many foreign investors will abandon the UK car industry as they are no longer part of EU so will no longer receive the same benefits of free trade. Furthermore, another implication of Brexit is the huge uncertainty at the moment for people in the UK. This is likely to have an adverse impact on the car industry <sup>as it is expensive and elastic</sup> as the propensity to spend is likely to decrease as risk increases as people are uncertain about the future and will want to save rather than spend to best equipped for the future following Brexit. Overall, Brexit will likely have many implications for the UK car industry due to the income elastic nature of the good and importance of stability for many people less willing to spend large amounts in the face of uncertainty.

A01-4  
A02-3  
A03-2

\*\*  
customers

4 B

Globalisation is likely to have a positive impact on consumers as they will experience increased choice allowing consumers to be more picky on price and quality. Not only this but globalisation is likely to force businesses to be more competitive as this will benefit consumers as they will have to maintain consistent standards of quality and also competitive price.



4 B

However, due to globalisation increasing access to potential customers this could have a negative impact for consumers who may have less influence over business pricing strategy. Overall, despite few potential areas that could have negative impact it is likely that globalisation will benefit consumers resulting in lower prices, better quality and increased choice.

### Employees -

It is likely that globalisation will have a positive impact on workers in developing countries as production may be offshored there which will increase potential employment opportunities. However, globalisation may result in increased unemployment in developed countries for current UK <sup>employees</sup> who will be left feeling job insecurity and maybe even demotivation. Overall, depending on the results of globalisation - if globalisation leads the business to move production to a cheaper location it could negatively impact employees and even result in redundancies.

### Local communities

Globalisation will benefit the local communities in poorer developing countries as the business will bring greater employment opportunities, wealth through foreign investment on infrastructure and also transfer cap technology. However, the overall cost to local communities is the erosion of culture through being western-

Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank

used. The impact of globalisation for local communities in the UK is likely to be unemployment which will negatively impact areas (structural) of the UK and will reduce wealth. This may require more Gov spending and support in the form of subsidies ~~to~~ <sup>to encourage</sup> new businesses to set up in these deprived areas. However Overall, globalisation could have adverse effects on UK local communities as they could see an increase in unemployment rate.

Employer / business owner

Globalisation will require the business to consider economic factors such as exchange rates. This could benefit the UK if the pound is strong as exports will be cheaper. However, <sup>this</sup> ~~it~~ could negatively impact the <sup>employer</sup> / owner as after exchange rates are volatile which creates uncertainty. Furthermore, needing to exchange currency before trading with countries will give those not needing like with the single currency Euro the competitive advantage over UK business. Furthermore, Globalisation can be beneficial to the owner as it increases potential sales and target market. Globalisation could negatively impact UK owners due to the expense and need for product adaptation and need for globalisation to adapt product to meet cultural demands of locals. Overall, despite the risk of failure due to the different social and



Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank

4 B

cultural needs globalisation is still likely to be beneficial and good options for businesses as long as they well established and have the capital required to expand.

### Government

Globalisation will benefit the UK Government as it is likely to increase sales and therefore add to world GDP. This allows the amount of government spending on areas like <sup>social</sup> welfare and education to increase. ~~The~~ However, globalisation could negatively impact Gov as an increase in <sup>cheap foreign</sup> imports (often known as dumping) can damage the economy in the LT as smaller UK businesses and small start ups will not be able to survive the predatory pricing strategy.

### Shareholders

Due to the increased potential sales brought by globalisation the sales rev is likely to increase. This will benefit shareholders whose main aim is to get dividend payments and make <sup>profit</sup> investment. However, due to the expensive nature of globalisation due to high initial investment costs needed for setting up distribution channels,  $\uparrow$  marketing effort and buying new premises this is likely to at least in the short term increase costs and reduce dividend payment. Overall, although globalisation is not beneficial in the



Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank

4 B

due to increased costs, in the LT the Shareholders will see share value increase as the B expands <sup>and</sup> will receive higher profit.

To conclude, it is clear that in the ST globalisation may have costs affecting all stakeholders in the LT globalisation will be beneficial. The stakeholders of customers, Shareholders and <sup>owners</sup> will be benefited <sup>directly</sup> most by globalisation. Although there are considerable risks to be evaluated by the owners and Gov the benefits outweigh the drawbacks. The mostly affected stakeholder groups UK employees particularly if they are low skilled and low paid as it is likely the business will relocate production to cheaper locations.

AO1-4  
AO3-8  
AO4-18

4 B

\* Globalisation is enabling financial and investment markets to operate internationally through imports and exports

