

Case study 1

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. Many of his workers left their families behind, working in the primary sector in country villages, when they came to work in the town. 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)
- 2 Examine **two** factors that could cause local politicians to say that BBL workers are exploited. (5)
- 3 Comment on **two** problems that could arise from foreign companies buying companies such as BBL. (6)
- 4 Discuss **two** arguments for and **two** arguments against industrialisation in countries such as Gandia. (7)

HL questions: 25 marks, 45 minutes

- 1 Define the following terms:
 - a developing country (2)
 - b primary sector. (2)
- 2 Examine **two** factors that suggest local BBL workers are exploited. (6)
- 3 Analyse **two** arguments for and **two** arguments against industrialisation in countries such as Gandia. (6)
- 4 Evaluate whether Edel should sell his company to the foreign investor. (9)