

XCav8 is a large mining company based in country B. XCav8 is in the private sector. It supplies businesses in country C with 30% of the coal they need and the rest is imported. XCav8 now has eight mines but plans to close two of them. This will threaten 1800 employees with redundancy. The Managing Director said: 'I blame the appreciation of country C's exchange rate and new legal controls, including those to protect the environment. The Government should help private sector businesses.'

(c) Outline how the appreciation of country C's exchange rate might affect XCav8. [4]

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Appreciation of country (C)'s exchange rate, imports in country C will become cheaper. With this businesses of country C may ~~use~~ buy from other competitors rather than getting 30% of coal from XCAV8, hence XCAV8 will become less competitive and may have to close further mines and make employees redundant; leading to rise in unemployment in country B.