Exercise walk-through

Relationship between countries at different levels of development ▪ 11.5

eXercise

You must be able to

- describe how trade, aid, debt, FDI and migration link rich and poor countries
- explain the benefits and costs of each link
- analyse the best way to support a developing country

Method — Links between rich and poor countries

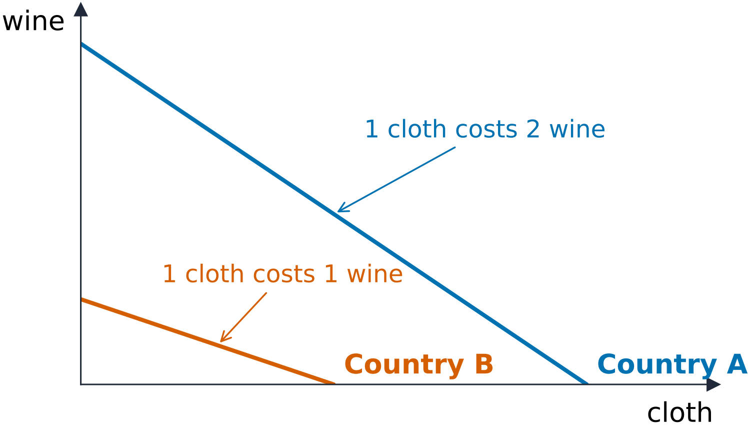
- **Trade:** raises incomes, but reliance on a few **primary exports** with swinging prices is risky.
- **Aid 援助**: funds schools/roads, but may create dependency.
- **Debt 债务**: pays for development, but repayment drains budgets.
- **FDI 外国直接投资**: brings money, jobs and technology, but profits may flow abroad.
- **Migration 移民**: brings **remittances 侨汇**, but can drain skilled workers (a "brain drain").

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

Method — Links between rich and poor countries

Development is about living standards in a fast-growing developing economy

Method — Links between rich and poor countries



A country should make the good it gives up least to produce, then trade for the rest

Practice 2.1 ▪ 2 marks

Define the term *foreign direct investment (FDI)*.

Solution 2.1

Worked steps

investment by a firm from one country in productive operations (factories, businesses) in another country (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

Define the term *remittances*.

Solution 2.2

Worked steps

money sent home by workers who have migrated abroad (2 for a clear definition; 1 for a partial idea).

Practice 2.3 ▪ 1 mark

State one drawback to a developing country of relying on foreign aid.

Solution 2.3

Method: Links between rich and poor countries

Worked steps

any one of: it can create dependency; it may be wasted or misused; it can come with conditions (1).

Exam-style 3.1 ▪ 1 mark

A possible drawback to a developing country of foreign direct investment is that:

A it brings in no new technology

B profits may flow back to the foreign company abroad

C it always reduces employment

D it lowers the country's exports

Solution 3.1

Method: Links between rich and poor countries

A it brings in no new technology

B profits may flow back to the foreign company abroad ✓

C it always reduces employment

D it lowers the country's exports

Worked steps

B. A drawback of FDI is that profits may flow back to the foreign firm abroad.

Exam-style 3.2 ▪ 6 marks

Explain two ways foreign direct investment can help a developing country.

Solution 3.2

Method: Links between rich and poor countries

Worked steps

[6] For **each** of two ways: AO1 1 + AO3 up to 2 — e.g. *jobs and income*: a multinational builds a factory → creates jobs → raises incomes and tax revenue. *Technology transfer*: it brings modern methods and training → local productivity rises → the economy can grow faster. Maximum 3 each.

Exam-style 3.3 ▪ 12 marks

Discuss whether foreign aid is the best way to support development in a poor country.

Solution 3.3

Method: Links between rich and poor countries

Worked steps

[12] AO1/AO2/AO3 up to 8 + AO4 up to 4. **For aid:** funds schools, hospitals and infrastructure a poor country cannot afford, and can relieve emergencies. **Against:** it may create dependency, be wasted by corruption, or come with strings; trade, FDI and debt relief may do more for self-sustaining growth. Judgement: aid helps most when targeted at health, education and infrastructure and combined with trade and investment — no single channel is best; it depends on the country's needs and governance.