A-LEVEL ECONOMICS • EXERCISE SHEET

11.5 Relationship between countries at different levels of development

Name: __________ Class: ________ Date: ________ **Total: 24 marks**

KEY WORDS foreign direct investment 外国直接投资 • migration 移民 • remittances 侨汇 • debt 债务 • aid 援助

Objective

Build the skills to answer exam questions on the **relationship between countries at different levels of development** 不同发展水平国家间的关系 — **trade, aid, debt, foreign direct investment** 贸易、援助、债务、外国直接投资 (FDI), and **migration** 移民.

You must be able to:

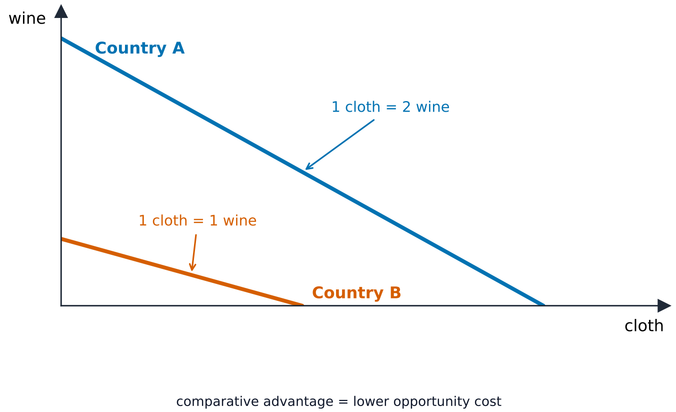
- describe how trade, aid, debt, FDI and migration link rich and poor countries
- explain the benefits and costs of each link
- analyse the best way to support a developing country

1 Worked examples

■ **Links between rich and poor countries**

Each link has a good and a bad side

- **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").



Trade between rich and poor countries rests on comparative advantage — the basis of the gains and the risks

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

2 Practice

2.1 Define the term *foreign direct investment (FDI).* [2]

2.2 Define the term *remittances.* [2]

2.3 State one drawback to a developing country of relying on foreign aid. [1]

3 Exam-style questions

3.1 A possible drawback to a developing country of foreign direct investment is that: [1]

- **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

3.2 Explain two ways foreign direct investment can help a developing country. [6]

3.3 Discuss whether foreign aid is the best way to support development in a poor country. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 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).

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

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

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

3.2 *[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.

3.3 *[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.