Solutions

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

Each answer shows the steps, then the **result**.

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