



19: Emerging and developing economies

(a) **KN:** 2 marks; **AP:** 2 marks; **AN:** 1 mark

KN:

- Absolute poverty: those living on less than \$1.90 per day at PPP
- Relative poverty: those living on less than 60% of median income (measure used in the EU)

AP:

- Reduction in people living in absolute poverty of 7.6 million

AN:

- Absolute poverty may be falling but relative poverty could be rising because fewer people may fall below the poverty line if GDP has been rising but inequality could be rising causing relative poverty to increase. [5]

(b) **KN:** 2 marks; **AP:** 2 marks; **AN:** 2 marks **EV:** 2 marks

KN & AN

- Understanding of joint venture: link up between two or more independent companies to develop specific projects
- Benefit that the investment is shared – limiting financial burden on each company
- Sharing of resources – this might reduce costs
- Economies of scale – resulting in lowering long-run average costs

AP:

- Building of a deep-sea port and a cruise terminal by KAJ Development, and several Chinese firms
- General Electric (GE) and electronics giant Siemens AG with Chinese companies in to provide Chinese firms with technology support, equipment supply, and finance

EV

- Risk 1 – Many Chinese firms are state-owned enterprises: danger of industrial espionage



- Risk 2 – Danger that the firms involved could incur large debts that may be difficult to repay

[8]

(c) KAA: 8 marks, Evaluation: 4 marks

KAA: The increase in demand would cause a rightward shift in the AR and MR curves. This would cause an increase in the price and output and an increase in supernormal profits.

Please could we use Figure 2.12 Economics A Peter Smith Book 2 page 39

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In 2018, Haier generated RMB10.1 billion in revenues from South Asia, Southeast Asia, and the Middle East.

EV:

- Problem of disruption to electricity supplies – this might interrupt production of its goods in Pakistan and could result in lower profits in the future.
- Demand for its goods may not be sustained if competitors enter the market

[12]

(d)

KAA: 16 marks, Evaluation: 9 marks

KAA:

Micro benefits include:

- Increased revenues and profits to individual firms – give examples from extract
- Chinese firms can gain access to natural resources
- Market for certain goods will increase so benefiting firms in those areas e.g. tourism, transport, energy

Macro benefits include:

- Fall in absolute poverty
- Increased trade – leading to higher rates of economic growth
- Industrialisation — Lewis model – leading to higher incomes and standards of living
- Improved transport links – reducing costs of firms and prices for consumers – lower inflation rate
- Increased employment opportunities/reduced unemployment

Evaluation:



- Industrialisation and tourism might result in increased inequality
- External costs of BRI and industrialisation
- Opportunity cost of BRI e.g. availability of land to grow food (25)
- Corruption
- Unsustainable debt