2. China and India: Constraints on Growth

1. Fill in the Gaps

In 2008, despite a worldwide slowdown, Chinese __________ grew by 9.8% and India's by 6.6%. The question is whether these high growth rates are __________________in the longer term? What can act as a constraint? Too few people? Yet China has 340 million people working on the land – and plenty of scope for increasing agricultural productivity. India is much the same. What about resources? Oil is a massive import for both countries, and both have problems with fresh water. Fortunately both countries are now investing 40% of GDP in fixed capital spending – and much of this is going on ____________________, including water projects.

Missing words: infrastructure, sustainable, GDP

2. Answer the questions on this data on agriculture

	China	India
Population	1.34bn	1.17bn
Popn growth trend	+0.6% p.a.	+1.5% p.a.
Land area	9.6m sq km	3.3m sq km
Renewable fresh water	2,830 cu. km.	1,910 cu. km.
Farmable land	15%	49%
Permanent crops	1%	3%
Other	84%	48%

2.1 Use this data to outline one strength for India in its pursuit of continued (rapid) economic growth.

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2.2 Use this data to outline one strength for China in its pursuit of continued (rapid) economic growth.

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2.3. Which country seems better equipped to keep feeding a growing population? Explain your answer.

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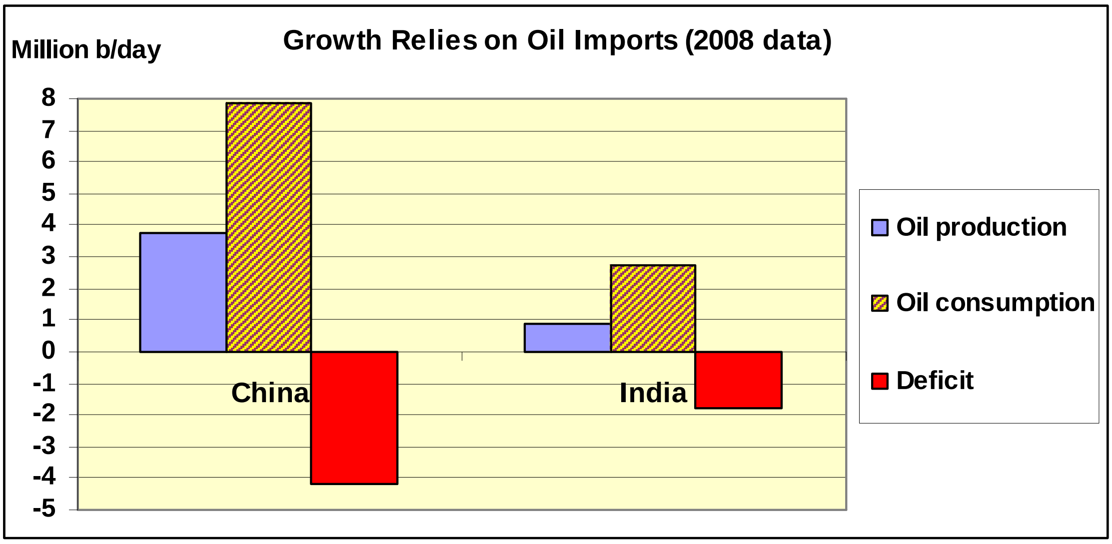
3. Data response



True or False? Identify whether each of these statements is true or false (about the data in the bar chart)

a) Every day in China, more than 4 million barrels of oil are used than are produced locally
(TRUE/FALSE)

b) Indian oil production is about one quarter of the level of Chinese oil production
(TRUE/FALSE)

c) If a barrel of oil costs $50, China is spending over $200 million a day on imported oil
(TRUE/FALSE)

d) This data proves the view of American environmentalists that China uses far too much oil
(TRUE/FALSE)

4. Explain why: Investment in transport infrastructure is thought crucial to China and India's growth path.

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2. ANSWERS - China and India: Constraints on Growth

1. GDP … sustainable … infrastructure

2.1 Although India has only a third of China's land area, much more of it is farmable land. In fact India has more farmable land than China to feed its smaller population.

2.2 China's huge land area plus its superior fresh water resources should make it easier to accommodate its (slowly) rising population levels.

2.3 China seems in a better position, simply because its population is growing at one third of the pace of that in India (0.6% compared with 1.5%)

3.

a) True

b) True

c) True

d) False

4. Economic development relies on trade – and this is only possible if the transport infrastructure allows free and rapid movement of goods to and from the country. Fortunately, both countries realise this.

3. China and India: Demographics

1. Fill in the Gaps

China and India between them have nearly ________% (20%//40%/60%) of the world's 6.5 billion people. ____________ is the world's single most populated country with a mid-2009 population of 1,338 million. The growth of this population has been held back by China's extraordinary policy of one ___________ per family. This is enabling the Indian population (1,166 million in mid 2009) to gradually overtake China. Whether this is a good thing for India or the planet is another question.

2. Answer the questions on this population data

Birth data 2008		
	China	India
Total births	16.08m	25.88m
Infant mortality*	20.25	30.15
Low birth weight	4%	30%

*per 1,000 births

2.1 Give one possible explanation for the higher rate of low birth weight babies in India.

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2.2 Explain one possible effect of the high level of low birth weights among Indian babies. ____________________

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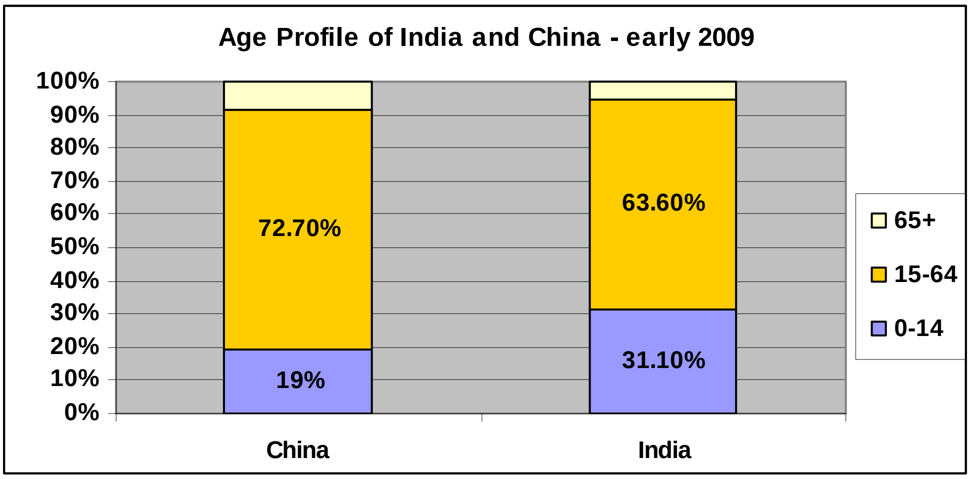
3. Data response



3.1 True or False? Identify whether each of these statements is true or false (about the data in the bar chart)

a) In China 8.3% of the population is over 65; in India the figure is 5.3%
(TRUE/FALSE)

b) India's young population will soon provide the economy with plenty of youthful workers
(TRUE/FALSE)

c) China has a lower proportion of people of working age than India
(TRUE/FALSE)

d) 31.1% of 1,166 million is 36.26 million kids under 14. That's a lot of mouths to feed.
(TRUE/FALSE)

3.2. India has more under-14s than the whole 300 million population of America. Should India adopt China's policy of one child per family? Briefly explain your view.

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4. Answer the questions on this literacy data:

China literacy: male 95%; female 87% **India literacy: male 73%; female 48%**

4.1 Explain one way in which these literacy levels might affect economic development in India

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4.2 Why might it be difficult for the Indian government to tackle the low levels of female literacy?

____

____

3. ANSWERS - China and India: Demographics

1. 40% … China … child

2.1 May be due to higher rates of poverty – perhaps especially in rural areas

2.2 Most probable effect is on the infant mortality figures provided, i.e. lower birth weights lead to higher death rate.

3.1

a) True

b) True

c) False

d) False

3.2 Yes, for the sake of the planet's total resources (including environmental).

No, for the sake of the families involved.

It's a classic short-term v long-term debate; and a classic big government v small government issue.

4.1 High levels of illiteracy may keep people on the land, unable to get jobs in industry, i.e. hold back the rate of economic growth

4.2 Education is expensive, and there are opportunity costs re fighting poverty (low birth weights). There may also be severe cultural reasons why parents are more resistant to girls receiving education.

5. Chindia: Economic structure

1. Delete as necessary

China and India have dramatically different economic structures. China's economic success is built on the primary/ secondary/ tertiary sector (manufacturing), whereas many of India's recent successes have been rooted in services, not manufacturing. Importantly, whereas in Britain fewer than 2% of the population works on the land, in China the figure is 40% and in India it's 60%. This suggests that both India and China are in quite early/ late stages of economic development.

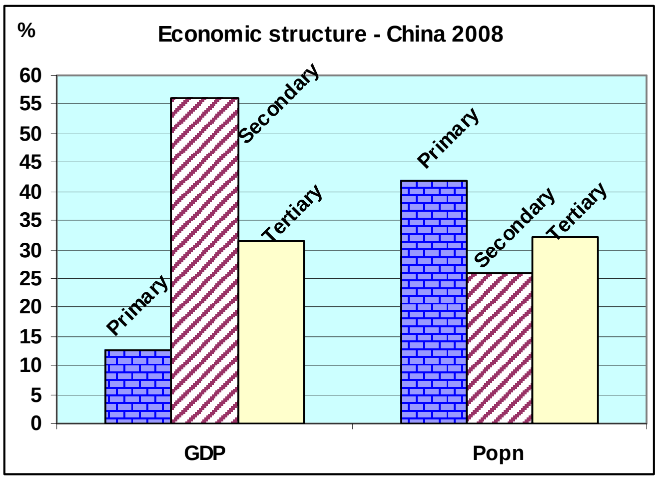
2. State the phrase or term explained by each of the following:

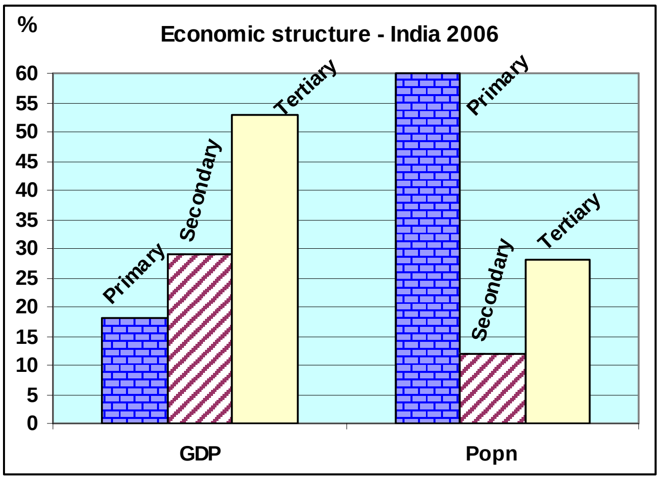
2.1 The economic sector based on businesses such as retailing, financial services and distribution.

2.2 The economic sector based on getting materials and resources from the earth or sea.

2.3 The economic sector where productivity can best be improved by automating factories.

3. Data response





3.1 **True or False?** Identify whether each of these statements is true or false (about the data in the bar charts)

a) In China, 32% of the population works in the service sector and generates 32% of the GDP.
(TRUE/FALSE)

b) In India, 42% of the population works in farming or in other extractive work such as mining.
(TRUE/FALSE)

c) In China, the population working on the land has especially high productivity.
(TRUE/FALSE)

d) In India the population working in manufacturing seems to have especially low productivity.
(TRUE/FALSE)

3.2. Identify three differences in the employment of the population in India compared with China.

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3.3. Explain how the secondary GDP in China can be so much greater than the percentage of population involved in the secondary (manufacturing) sector.

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3.4. Explain whether China or India is the most developed economy, based on the data in the bar charts

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5. Chindia: Economic structure

1. secondary … early
2.1 Tertiary
2.2 Primary
2.3 Secondary

3.1
a) True
b) False
c) False
d) False

3.2
i. Far higher proportion of the Indian population employed in the primary sector
ii. Far lower proportion of the Indian population employed in the secondary sector
iii. Slightly lower proportion of the Indian population employed in the tertiary sector

3.3. Because the manufacturing sector has high productivity. Therefore just 25% of the working population can generate over 55% of the country's annual output (GDP).

3.4 Most developed countries have a very small primary sector, a small-medium sized secondary sector and a large tertiary sector. So it's hard to decide which is the more developed, simply on the basis of the data provided. India has the large tertiary sector; China the large secondary sector.

6. China: Foreign Direct Investment

1. Delete as necessary

FDI stands for Foreign Direct Investment. This is the sum invested by foreign companies that want to buy factories or build businesses. It can be very beneficial because not only is capital injected into the economy, but also the foreign firms often introduce new working methods. This is how Britain came to hear of kanban and kaizen/ kaibosh/ kanvan. The only risk is that FDI might be excessive, with a focus on speculative investment such as in property.

2. Circle the correct answer, then briefly explain why that answer is correct.

2.1 When an economy grows at an average of 10% a year, GDP doubles:

A. In 10 years B: In 20 years C: In 7.5 years D: Every year

2.2 An increase in the amount of Foreign Direct Investment coming into a country would:

A. Cut investment by local firms B. Cut the country's GDP growth C. Boost the country's GDP growth

2.3 The big investors into China have been Japan, the US, Germany and Korea. They may benefit by:

A. Being offered better exchange rates B. Enjoying rapid rises in demand C. Cheaper commodity prices

3. Give one reason why:

3.1 A country might benefit from overseas investment, even if a foreign firm brings in its own management team.

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3.2 In the period 1996 – 2006 the average Chinese family became 3 times better off. How might rising FDI have helped to cause this?

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4. Data response

4.1 Identify two possible causes of the increase in foreign investment into China from 1992 onwards.

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4.2. Explain two possible benefits to China of the increase in foreign direct investment up until 2007.

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6. China: Foreign Direct Investment and Economic Growth

1. kaizen

2.1 C: In 7.5 years (faster than every 10 years due to the effects of compounding)

2.2 C. Boost the country's GDP growth

2.3 B. Enjoying rapid rises in demand

3.1 The investment could lead to direct job creation (perhaps in a factory) and indirect job creation – providing services for the business, the staff and those foreign managers.

3.2 Rising FDI can help boost the country's growth rate, and also bring in management practices that can be copied/adapted by local businesses, thereby indirectly helping local firms grow and therefore generate more wealth.

4.1

i. Richer western countries may have recognised the opportunities for growth for the first time in 1992

ii. There may have been governmental changes in China that made FDI easier or made it more attractive (eg a promise that any $s or £s brought into China could be taken out again at any time).

4.2.

i. The dramatic increase in FDI between 1991 and 1997 (up tenfold) was sustained over a long period. This meant investment inflows arriving every year, helping achieve sustained and relatively stable growth.

ii. This would have provided capital for the growth of Chinese businesses and/or a sustained increase in the number of wealthy overseas firms setting up factories in China (such as Toyota, Volkswagen and Procter & Gamble).

11. Emerging Markets

1. Missing words

__________________ countries such as Britain are attractive to firms because they offer large, quite stable markets. If sales of baked beans in Britain last year came to £400 million, sales this year will be very similar. Less Developed Counties tend to share two characteristics: low income levels mean that market ___________ are quite small (especially in value terms); and sales can be highly erratic, perhaps because a bad harvest hits people's disposable incomes. Although 'Emerging Markets' are less developed, their underlying ____________rates are high enough to excite interest from western businesses. Everyone wants to be in at the start of 'the new China' or 'the new India'. Unfortunately, in the early stages, no-one can be sure whether an economy is 'Emerging' or likely to stay Less Developed for a long time to come.

Insert words from this list: growth, Undeveloped, shares, sizes, Developed, inflation

2. Data Response (questions 2.1 – 2.3 are based on this Table of data)

Country	GDP growth*	GNI p.p. U.S.$s**	Popn (ms)***
Bolivia	1.30%	1260	10
Brazil	1.20%	5910	192
China	8.90%	2360	1330
India	4.50%	950	1170
Malaysia	3.20%	6540	27
S. Korea	4.40%	19690	48
UK	2.40%	42740	61

*GDP per capita average 1990-2008; **Gross National Income per cap 2007; ***2008; Source: Unicef

2.1 Use data from all three columns to explain the huge potential for investing in China compared with investing in the UK.

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2.2 Growth compounded over an 18 year period (1990-2008) can create huge changes. Growing at 1.3% (Bolivia) creates total growth of 26.2% over 18 years; China's 8.9% a year creates total growth of 364%. Outline one major advantage and one major disadvantage to China of such staggering growth.

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2.3 Outline one possible reason why a large U.S. company might choose to invest heavily in a country like Bolivia.

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3. Link two effects to each possible cause of increased growth in a Less Developed Country

Cause	Ans	Effect	Effect
3.1 Heavy levels of FDI (Foreign Direct Investment) coming into the country		A) Farmers find it easier to sell produce at regional markets	E) Less government spending on arms may allow income tax to fall
3.2 After years of internal conflict/civil war, democracy is securely established		B) If less bribery is needed, more young people will start in business	F) More factory construction provides jobs for local workers
3.3 The government starts encouraging local business instead of exploiting it		C) New management methods and ideas are introduced	G) Local firms are able to start developing nationwide brands
3.4 Helped by international aid, the transport infrastructure is improved		D) Easier for firms to take a long-term view if there is less corruption	H) More confidence in a peaceful future for businesses to thrive

11. ANSWERS: Emerging Markets

1. Developed …sizes …growth

2.1 China's growth rate (if it continues) is hagely greater than in Britain; as average income levels are little more than one twentieth of UK levels, the scope for growth is massive; and the population size means that, if China can grow to match UK average income, the Chinese market will be more than 20 times the size of the British market

2.2 Advantage: the ability to virtually eliminate absolute poverty (e.g. starvation and high birth death rates)

Disadvantage: the environmental problems that come with affluence, such as traffic jams (hardly comparable with baby death rates, though!)

2.3 Based on the data, the only likely reasons would be if government allowed the company an outrageously profitable monopoly position, or if oil or other mineral resources were found.

3.1 C) F)

3.2 E) H)

3.3 B) D)

3.4 A) G)