Question 3: Two Stimuli  7 points

(A) Describe the spatial pattern of the clusters located on the map.  1 point

Accept one of the following:

- A1. The clusters are mostly located along the eastern and southeastern coast of China.
- A2. The clusters are mostly in or near large urban agglomerations or megacities (e.g., Shanghai, Hong Kong, Guangzhou).

(B) Explain ONE reason for the spatial patterns identified from the map and data table.  1 point

Accept one of the following:

- B1. The clusters are mostly located along the coast of China for convenient shipping because the SEZs shown are export oriented.
- B2. The clusters are mostly located along the coast of China to provide access to container ports and global shipping routes.
- B3. The clusters are mostly located along the coast of China because it has better infrastructure or access to skilled labor, making them more attractive to foreign investments.
- B4. Central government planning directed the development of the SEZs (e.g., close to Hong Kong and Macao, the place of origin for many overseas Chinese).

(C) Define special economic zones (SEZs).  1 point

Accept one of the following:

- C1. Areas of a country with economic laws and policies that differ from the country’s typical economic laws and policies.
- C2. Areas with economic laws and policies (e.g., tax incentives, business incentives) designed to attract foreign investment.
- C3. Areas with economic laws and policies intended to promote rapid growth through foreign investment.

(D) Explain how ONE economic policy attracts foreign investments in China’s SEZs.  1 point

Accept one of the following:

- D1. China’s SEZs have low minimum wages for workers, resulting in cost savings for foreign investors.
- D2. China’s SEZs offer reduced tax rates or tax exemptions to foreign investors, resulting in cost savings for foreign investors.
- D3. China’s SEZs do not charge tariffs (e.g., customs duties) on imported materials and parts to be used for re-export, resulting in cost savings for foreign investors.
- D4. China’s SEZs give foreign firms the right to hire and fire employees, providing foreign firms access to China’s large pool of low-cost labor.
- D5. China’s SEZs operate without the direct oversight of China’s central government, affording a greater degree of freedom to foreign investors.
- D6. China’s SEZs permit foreign ownership of business enterprises, encouraging foreign investors to own and operate businesses in China.
(E) Explain why internal migration patterns increase the profits of corporations located in SEZs within China.

Accept one of the following:

- E1. Internal migrants from lower-income regions provide low-cost labor to corporations located in SEZs.
- E2. Internal migrants from lower-income regions are usually paid less compared to long-term local urban residents who command higher wages as they tend to be more educated and/or skilled.
- E3. Internal migrants from lower-income regions often sign multi-year contracts at a fixed pay rate with employers.
- E4. Internal migrants from lower-income regions often live in company-owned dormitories from which rent is extracted from the workers’ pay, which may be profitable for owners who can earn more in rents or pay less in wages.

(F) Explain ONE strength of Wallerstein’s world system theory in explaining where these products are made and where these products are sold.

Accept one of the following:

- F1. The world system has a three-tiered structure made up of the core, the periphery, and the semiperiphery. China is a semiperiphery country with low labor costs that makes and exports many products to the core, the semiperiphery, and the periphery.
- F2. The world system has one global market and a global division of labor. China provides a large low-cost labor pool and attractive incentives for global firms to manufacture goods there.
- F3. Almost all economic activity takes place within the context of the world system. Much of the manufacturing activity in China’s SEZs is export-oriented for global consumption.

(G) Using the data in the table, explain ONE way in which the products listed relate to these clusters’ comparative advantage in global trade.

Accept one of the following:

- G1. Products made in China’s SEZs cost less than similar products made in other countries that may be better at producing such goods but cannot do so at such a low cost per unit.
- G2. Clusters take advantage of the economies of scale in which increases in the number of units produced reduce the cost per unit.
- G3. Clusters benefit from agglomeration effects in which similar firms locating near each other reduce the cost of production due to low transportation costs, increased labor supply, and knowledge accumulation.
- G4. China’s SEZs gain a comparative advantage because of established infrastructure, supply chains, manufacturing processes, and process innovations.

Total for question 3 7 points
Begin your response to each question at the top of a new page. Do not skip lines.

A. The clusters are all located along China’s coast. Additionally, several of the clusters are next to major cities, such as Shanghai and Hong Kong.

B. The SEZs are likely located along the coast for transportation purposes. Access to water allows the products to be exported by boat and being in such close proximity to the water lowers the cost of transportation.

C. Special economic zones are places where the government has given benefits such as tax cuts to corporations in order to encourage economic activity. These corporations are often international and are outsourcing labor.

D. China has unrestricted labor laws, which allows workers to be paid less than they would be in other countries. This policy attracts international corporations looking to decrease production costs and take advantage of cheap labor.

E. Rural to urban migration, the most common type of internal migration, probably occurs to these SEZs. This increases the competition for jobs and the labor pool, which lowers wages and decreases production costs for the corporations. These factors inevitably increase profits.

F. China, a semi-periphery country in the world system theory, makes and exports products to core countries like the United States. Wallerstein predicted this when he made the model, and it is demonstrated in the table.

G. All of the products listed can be mass produced, which
allows them to take advantage of economies of scale. In addition to the benefits of the SEZ, the large labor pool, and low wages, the clusters can also mass produce the listed products which increases efficiency and the comparative advantage of the clusters.
Begin your response to each question at the top of a new page. Do not skip lines.

A. The spatial distribution of the clusters on the map show that most economic production occurs around the coastal and major cities. For example, there are large clusters around Shanghai and Hong Kong, which are both cities directly connected to the Pacific Ocean.

B. One reason for the spatial patterns identified on the map is because there are large amounts of production going in and out of the Chinese country internationally and nationally. Therefore, the products produced in these clusters have to be shipped to their respective markets. It would be much more difficult and expensive for products to be produced further inland because they would need to be flown or driven more than if they were along the coast.

C. Special economic zones are for enclaves or territories that would have to go through more tariffs and taxes if they were in a Special Economic Zone.

D. One economic policy of the SEZ's in China that attract foreign investors are cheap labor. Because China has limited labor laws on working hours and wages, foreign investors would be able to make more profit than in the location where they are from.

E. One strength of world systems theory is that China is a semi-peripheral country that gives cheap labor, while China gets the economic production. Because these products are made in China then sold to middle's they are able to make more profit and more uneven global economic development.
Begin your response to each question at the top of a new page. Do not skip lines.

In one way that these factories relate to those clusters, because they are close to the source of materials, and are weight-reducing items, therefore the items being made are from the market and closer to the source, granting the economic advantage of lower transport costs. The cheaper labor and lack of labor laws also grant these clusters a competitive advantage because of decreased capital costs.
A) Most cities located on the map are near the coastline of the Pacific Ocean.
B) Most towns are spatially located near water for trade and market. For example, the city of Guangzhou, which exports bags and suitcases, makes up 70% of European and US markets for bags.
C) A SEZ in a city near a coastline of a country in which other nations claim ports to have access to trade.
D) Being able to ship exports out of China's SEZ's attract foreign investments because the profits other nations can make having a port there.
E) Internal migration patterns increase profits of corporations in China located in SEZs by adding to the workforce at these corporations, which allows more product to be finished for export.
F) Wallerstein's theory explains the nations in the core depend on nations in the periphery/semi-periphery and vice versa. The items being manufactured in southern China are being exported to locations all over the world, including core and periphery.
G) the products relate to China's advantage in global trade because they have the workforce, manufacturing, materials, and advantageous location of ports for export.
Question 3

Note: Student samples are quoted verbatim and may contain spelling and grammatical errors.

Overview

This question expected students to demonstrate a comprehensive understanding of special economic zones in China as well as how these zones affect China’s economy both internally and externally with regard to global economic processes using a variety of economic and geographic concepts. Several skills were required of the students to be able to answer this question: (1) the ability to interpret the geographic data shown on a map and in a table; (2) the ability to identify the reasons behind the spatial patterns observed; (3) the ability to integrate their knowledge from different units of the course (e.g., internal migration and corporations' profits); (3) the ability to apply their understanding of theories (e.g., the world system theory) to real-world examples (e.g., China's manufacturing industry); and (4) the ability for high-level reasoning and thinking to explain geographic phenomena and processes, such as the comparative advantage of China’s specialized clusters in global trade.

In Parts A and B, students were expected to describe the spatial pattern of selected specialized manufacturing clusters in China and explain a reason for the pattern. Most students correctly identified the predominantly coastal locations of the clusters and many knew that such locations facilitated exports and shipping because of easy access to ports and relatively inexpensive water-borne transportation.

In Part C, students were expected to define special economic zones (SEZs), but a majority of the students could not define SEZs and many thought they were places specialized in manufacturing one particular product, probably based on the information provided in the stimuli. Quite a few students seemed to have confused SEZs with exclusive economic zones (EEZs) in Unit 4.

In Part D, students needed to explain how economic policies implemented in the SEZs attract foreign investments. Even though most students could not define SEZs in Part C, many knew low minimum wage or low-cost labor in China were attractive to foreign investments. Many of those students failed to get a point because they simply identified the reason and did not elaborate why that attracts foreign investments.

In Part E, the question asked students to demonstrate their ability to relate internal migration and the profits of corporations in China’s SEZs. Many students equated increased profits with more sales to migrants after they arrived in the SEZs, instead of explaining that migrants desperate for jobs worked for low pay which, in turn, increases the profits of corporations.

In Part F, students were challenged to apply Wallerstein’s world system theory to explain where the products featured in the question are made and where they are sold. Many students showed a reasonably good grasp of the world system theory, but few were able to apply it correctly and make the proper connections to China to score a point. Some students confused Wallerstein with Weber and Christaller.

In Part G, students were expected to explain how the specialized clusters in China have a comparative advantage in global trade with respect to the products featured in the question. Students did not seem to have a good enough understanding of the content to use terms like “cost per unit” and “comparative advantage” or to think about how agglomeration and well-established supply chains lead to more...
Question 3 (continued)

efficient production. Many students based their explanation on the idea that since most of the products are “everyday” items, then the demand for them is large without explaining why the clusters in China have a comparative advantage in producing them.

Sample: 3A
Score: 7

The response to part A earned 1 point because it describes the spatial pattern of the clusters on the map as being along China’s coast and near major cities such as Shanghai and Hong Kong.

The response to part B earned 1 point because it explains why the SEZs are located along the coast as it allows them to export their products by water at a low cost.

The response to part C earned 1 point because it defines SEZs as places where the government provides benefits to corporations, such as tax cuts.

The response to part D earned 1 point because it explains how China’s low-wage policy attracts international corporations looking to decrease production costs.

The response to part E earned 1 point because it explains how rural to urban migration to the SEZs increases the size of the labor pool and competition for jobs but lowers wages, which inevitably increases profits for the corporations.

The response to part F earned 1 point because it explains a strength of Wallerstein’s world system theory in explaining how products are made in China, a semiperiphery country, and exported to core countries such as the United States.

The response to part G earned 1 point because it explains how the economies of scale in addition to low wages give the clusters in China a comparative advantage in mass producing the products listed.

Sample: 3B
Score: 5

The response to part A earned 1 point because it describes how the main clusters occur along the coastlines and major cities.

The response to part B earned 1 point because it explains why the clusters are along the coastline and that they want to easily ship their products out of China and to their respective markets.

The response to part C earned 1 point because it defines SEZs as territories that have different tariff and tax policies.

The response to part D earned 1 point because it explains how the economic policy of cheap labor and limited labor laws help attract foreign investments.

There is no response to part E.
Question 3 (continued)

The response to part F earned 1 point because it explains a strength of Wallerstein’s world system theory by demonstrating that these products are made in China, a semiperiphery country with cheap labor, and sold to more developed countries.

The response to part G did not earn a point because it does not explain a way in which the products listed relate to the clusters’ comparative advantage in global trade.

Sample: 3C
Score: 3

The response to part A earned 1 point because it describes the spatial pattern of the clusters on the map as being near the coastline of the Pacific Ocean.

The response to part B earned 1 point because it explains why the clusters are near the coast which better facilitates trade and access to their market. For example, bags and suitcases produced in Guangzhou are exported to Europe and the United States.

The response to part C did not earn a point because it does not correctly define SEZs.

The response to part D did not earn a point because it does not explain an economic policy that attracts foreign investments to China’s SEZs.

The response to part E did not earn a point because it does not explain why internal migration patterns increase the profits of corporations located in China’s SEZs.

The response to part F earned 1 point because it explains a strength of Wallerstein’s world system theory in explaining where the products listed in the table are made and where they are sold.

The response to part G did not earn a point because it does not explain a way in which the products listed relate to the clusters’ comparative advantage in global trade.