

## Foreign aid essays

### M15/ 3d

Economic development is a broad based, holistic increase of the quality of life based on both qualitative and quantitative indicators of standard of living. **Trade refers to the exchange of goods and services between countries. Aid is an assistance that is given to a country that would not have been provided through normal market forces.**

Trade between China and African countries would benefit Africa's export industries as seen in paragraph 1. As demand for African exports increases, there would be an **increase in demand for labour in Africa** and unemployment will decrease. The increase in trade may also mean training for unskilled labour. More importantly, it will increase the income of the low income group. **This can help get them out of the poverty trap.**

#### Figure 1: Poverty trap diagram

+ Effects of higher income which leads to escaping the poverty cycle

The increase in income would increase their savings and would lead to an increase in investment. This would enable them to escape the poverty trap. This will lead to higher standards of living as the poor people are more able to pay for necessities and support themselves. Trade between China and Africa will also "drive economic growth" as China has become Africa's largest growing export market". The increase in exports will lead to an **increase in the aggregate demand** and increase in the real output of African countries and **lead to economic growth**. **The increase in exports will also improve the balance of payments in Africa.** The trade between China and Africa will also mean more consumer choice for Africa. Africa will benefit from trade with China because they import those that they are unable to produce, as such they make full advantage of the **benefits of comparative advantage**. **Access to exports in China// import new technologies// economies of scale/ improvements in efficiencies.**

However, China imports machinery while Africa exports timber and cocoa. If this continues on the long term there will be a **long term deterioration of the terms of trade**. **Africa's export is also vulnerable as there are volatile prices in the commodity market and their overdependence on primary products. Overexploitation of resources in African countries may be a threat to sustainable development.**

Africa will benefit from aid from china as this will develop Africa's technology and upgrade their talents. Furthermore it will they will upgrade their infrastructure which will attract more foreign investment for Africa. The aid may also reduce poverty. **Target specific sectors.**

However, long term aid from China may cause African countries to be overly dependent on it, they may develop complacency. Also, in developing countries there is a tendency to have corruption. **The aid may not reach the intended audience** as the government may use it for self-interest. **Tied Aid/ Potential for abuse through corruption/ poorly targeted aid.**

Overall the Africa will need to engage in trade in China in the long run to eliminate poverty and increase economic growth as **foreign aid cannot be a solution in the long run.**

Aid gives short term relief for the people in Africa but trade is better in the long run.

**Missing points / good points**

**N16/ 4d**

The International Monetary Fund (IMF) is an organisation of 184 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment, sustainable economic growth and reduce poverty. They help member countries in their balance of payments and provide financial assistance if they are unable to finance them. Economic growth refers to an increase in output in an economy measured by an increase in the real gross domestic product (GDP) of an economy over time. Economic development is a broad based, holistic increase of the quality of life based on both qualitative and quantitative indicators of standard of living.

The possible consequences of the financial aid on Ghana's economic growth are as follows. There are positive consequences if the financial loan is used properly. For example, if Ghana's government uses the financial loan to improve their local export industries, they may be able to improve their balance of payments and minimise the deficit. The reduction in unemploym