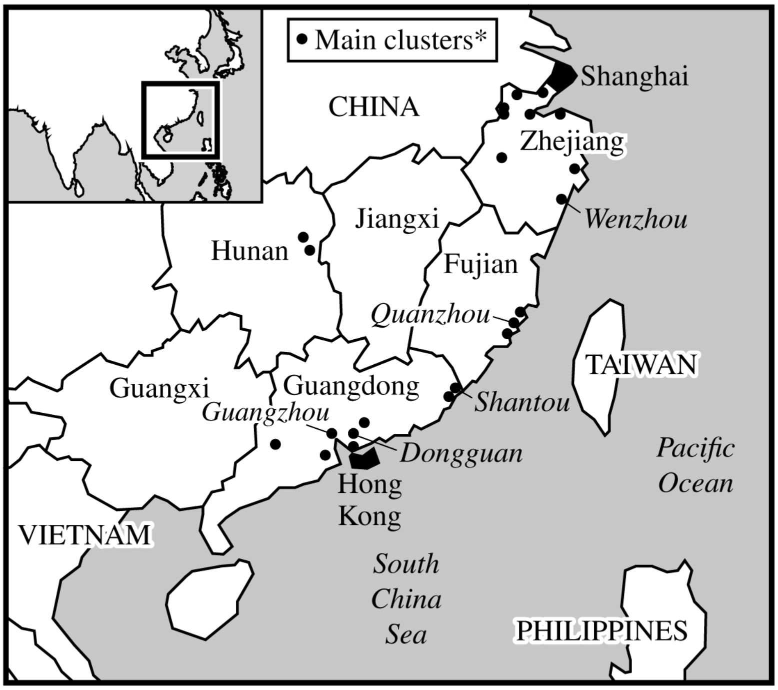
Question 3

SELECTED SPECIALIZED CLUSTERS IN SOUTHERN CHINA



Town, *City*	Product	Town's Claimed Contribution
Ouhai, *Wenzhou*	Eyewear	90% of global-brand products (2016)
Jinjiang, *Quanzhou*	Zippers	10% of global production (2011)
Chenghai, *Shantou*	Toys	30% of global production (2014)
Shiling, *Guangzhou*	Bags, suitcases	70% of European and US mass market (2013)
Gurao, *Shantou*	Bras	12% of China's production (2014)
Tangxia, *Dongguan*	Golf products	40% of global production (2011)

*Places indicated may include multiple clusters. In the table, the larger city names are italicized.

Source: The Economist

3. The map and table show several specialized manufacturing clusters of cities and smaller nearby towns that are located in special economic zones (SEZs) in China.

A. Describe the spatial pattern of the clusters located on the map.

B. Explain ONE reason for the spatial patterns identified from the map and data table.

C. Define special economic zones (SEZs).

D. Explain how ONE economic policy attracts foreign investments in China's SEZs.

E. Explain why internal migration patterns increase the profits of corporations located in SEZs within China.

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

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

Begin your response to this question at the top of a new page in the separate Free Response booklet and fill in the appropriate circle at the top of each page to indicate the question number.

GO ON TO THE NEXT PAGE.

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.	**1 point**
(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.	**1 point**
(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.	**1 point**
	Total for question 3	**7 points**