



Model answers to Section 3 end-of-chapter review questions

The review examination questions at the end of each chapter in *Geography for the IB Diploma: Global Interactions* are based on the style of question found in Paper 3. Model answers to selected questions are given here.

Questions in Paper 3 are in two parts: part **a** carries 10 marks and part **b** carries 15 marks. The markbands for Paper 3 are found on pages 58 and 59 of the IB Geography Guide. For part **a** the level descriptors range from A (0 marks) to E (9–10 marks). For part **b** the level descriptors range from A (0 marks) to E (13–15 marks).

5 Financial flows, page 72, question 1

- a** Good answers will begin with definitions of (a) foreign direct investment and (b) profit repatriation. Both are major factors in the transfer of capital between the developed and developing worlds.

In terms of FDI, discussion is likely to focus on some or all of the following:

- TNCs are the main source of FDI. TNCs invest to make profits and are the driving force behind economic globalisation. As the rules controlling the movement of goods and investment have been relaxed in recent decades, the sources of FDI have become more and more diverse.
- Developed countries still record the largest share of FDI but the gap with developing countries has been narrowing.
- In many developing countries, FDI has been the main reason for the development of new industries and the expansion of established industries. It has been critical to the emergence of a growing number of newly industrialised countries.
- FDI is not dominated by flows from developed to developing countries in the same way that it was even 20 years ago. Investment flows from newly industrialised countries to the developed world have increased markedly in recent times.
- FDI inflows to structurally weak economies such as the least developed countries (LDCs) has increased in the last decade but the global financial crisis has interrupted this process.

Better candidates should be able to supply some data. For example, global FDI inflows reached a historic high of \$1979 billion in 2007.

Points made in relation to profit repatriation may include:

- The repatriation of profits represents an outflow of a host country's limited foreign exchange resources and has a negative impact on a country's balance of payments.
- Host countries will want to keep as much of the profits made by foreign TNCs reinvested in the local economy as possible.
- TNCs will want to repatriate a certain proportion of profits to justify the original reasons for the investment.
- Host countries can tax profits, but will still want to remain an attractive location for investment.

The very best candidate may be able to supply some relevant data.



- b** Discussion about the role of remittances in the global transfer of capital is likely to focus on the following:
- In many developing countries remittances sent back to their home nation by migrants represent the largest source of external capital.
 - Worldwide remittances totalled \$251 billion in 2007 – twice the level of international aid.
 - Remittances are much less concentrated in certain countries than FDI.
 - One-third of global remittances originate in the USA. Most of the rest is sent from Europe and the Middle East.
 - Latin America and the Caribbean is the region receiving the highest level of remittances per capita – more than the sum of FDI and official development aid combined.
 - Higher remittance flows are associated with lower poverty, better health and higher levels of education in the developing world.
 - The global financial crisis resulted in a significant fall in remittances.



6 Labour flows, page 81, question 1

- a** A definition of the term 'labour migration' should be given: migration from one country to another when the primary purpose is to seek employment.

The main reasons for increasing global labour migration include:

- increasing globalisation – according to the World Bank, 'globalisation is driving the movement of people across borders'
 - the liberalisation of the movement of labour – for example, the free movement of labour within EU countries
 - movement from labour-rich developing countries to developed countries facing limited labour supply
 - increasing labour movements within the developing world
 - very significant wage differentials between donor and receiving countries; the desire of people to improve their overall quality of life
 - increasing ease of relocation with lower real transportation costs over time.
- b** The example presented here is the flow of labour from Mexico to the USA.

Causes

- High levels of unemployment and underemployment in Mexico.
- Significantly higher population growth in Mexico than in the USA, resulting in the rapid growth of the labour force in Mexico.
- The income gap has been a powerful stimulus to movement and emigration has tended to surge during periods of wage decline in Mexico.
- In virtually every aspect of the quality of life, conditions are better in the USA than in Mexico.
- Many large employers in the USA have pressed the political case for a high level of labour migration.

Effects on the USA include:

- The percentage of the population of Mexican ethnicity has increased significantly, particularly in the four states along the Mexican border – California, Arizona, New Mexico and Texas.
- Mexican culture has had an increasing impact on many areas in the USA. Some parts of the USA are virtually bilingual.
- Mexican labour is very prominent in some industries such as agricultural workers, construction, hotels and catering.
- A high influx of foreign labour has kept wage rates in relevant industries at a lower level than they would otherwise be.



Effects on Mexico include:

- the high value of remittances
- reduced unemployment pressure
- lower pressure on the housing stock and public services
- changes in population structure with emigration of young adults, particularly males
- loss of skilled and enterprising people
- migrants returning to Mexico with changed values and attitudes.