

Geography HL Essay:

Examine the strategies used in the transfer of capital between core and peripheral areas.

There are various strategies which are made use of when transferring capital between the core and peripheral areas. These are mainly loans and debt repayment, remittances, foreign direct investment and the repatriation of profits.

Loans and debt repayment is used worldwide in which the developing countries collectively owe \$2.3 trillion to foreign creditors. The advantages brought by such a transfer of capital between core and peripheral areas is the opportunity countries get to finance necessary resources in order to build up and develop themselves by improving their education and housing in Sub-Saharan Africa for example. The total money owed has however been cut due to the HIPC plan which reduced the 218\$ billion owed to \$180 billion. As a result of these loans and repayments, food, clothing, housing, medicines and medical care became cheaper and simultaneously, their quality improved since earlier times. This as a result makes it easier and better for LEDCs to afford such resources, benefiting their standard of living and development of their economy. The loans and debts still however need to be repaid, and as a result countries will need to pay interest on this and pay back the principal. Even bad loans will have to be repaid, and especially for LEDCs this can suck money out of their economy.

A perfect example for such a strategic transfer is the Tehri Dam. Completed in 2006, this dam was built in India with the financial help of the USSR. However as the country became Russia, they want their loan for the dam to be repaid by India. The positive effects this loan brought to India was the social benefit of 2.6 gallons of irrigation water for 270,000 hectares of land, and the environmental sustainment of the irrigation of another 600,000 hectares agriculture. Economically the dam brings the country a lot of hydroelectric power which is created in an environmentally friendly way. As a result of building the 8th biggest dam in the world, it has become a tourist attraction helping the development of the economy by external finance of tourists spending money in India. From this project many jobs have also been created, reducing the unemployment rate. However negative effects also occurred, such as the now economic debt of India needing to repay Russia for this project. Socially, the

dam required more than 100,000 people to relocate due to the flooding of the area and the safety hazard. These as a result needed to find new jobs and basically start a new life in a new area. The negative environmental effects of this dam are not only the possible damage of an earthquake in the area which could flood several villages, but also the loss of the fertile agricultural land in the area of the dam. There is also a chance of landslides occurring due to the deforestation in progress.

Remittances are also a strategy which countries use to transfer capital in core and peripheral areas. The best example of such transaction is Mexico and America, in which Mexican workers send remittances back to their origin country when working in the US. This benefits Mexico by reducing poverty due to this source of finance, which makes up a large part of Mexico's GDP. As a result, this can help develop the economy by giving Mexicans the possibility of now being able to pay for education, better housing, medical care etc. These can now also make use of loans, insurance and credit at their banks. However the negative effects mainly effect America, in which they lose money in their economy due to the remittances sent back to Mexico. These however are still very inefficient because they are very expensive, and therefore there is often less money left for the Mexicans to spend. These can as a result depend on these remittances of America. However often these workers are treated unfairly and are taken advantage of by their managers.

Foreign direct investment can be seen in the relocation of the telephone call centers from the UK to India, as a transfer of capital between two areas. This positively effects India in the way that it brings money into the country and as a result helps India with their economic growth. Unemployment in India decreases as more "high class" jobs are available which also benefits India's economy as more people have money to spend. The disadvantages of such a transfer mainly target the UK, as customers of such companies are misled by the Indian employees who should ethically operate in the country of the company itself. Racism is also caused by this cultural disparity, as well as the rise in unemployment in the UK as their jobs are taken away and are relocated to India.

Finally, repatriation of profits is used as a transfer strategy between core and peripheral areas. This can include the sale of Irish Guinness beer in a Bavarian pub. This benefits Ireland as the imported goods are bought in Germany, and therefore money is taken from the origin country, leading to a development in the Irish economy. However the country in which the products are sold, in this case Germany,

loses money in their economy and therefore reduces their own economic development. Taxes on the money from the products sold are also transferred back to the origin country.

In conclusion, there are several ways in which the strategy used in the transfer of capital from core and peripheral areas can benefit but also have negative effects on countries in both a developed and less developed economic position.