AQA Geography A-level

3.2.1: Global Systems and Global Governance

Essential Notes

Globalisation

What is Globalisation?

Globalisation: The process of becoming more **globally connected** on a variety of scales. It is the **movement** of people, knowledge, ideas, goods and money **across national borders**, leading to - theoretically - a '**borderless world**'.

Types of Globalisation

Even our environments are **globalised**, e.g. pollutants from other countries can affect our **climate** and there are **global laws** to mitigate climate change.

Dimensions of Globalisation

When countries **share** things with one another, it's known as a **flow.** This is because things are **flowing (moving)** from one country to another. Flows can be physical like people or products, but they can also be ideas and concepts such as money (capital), services, or information.

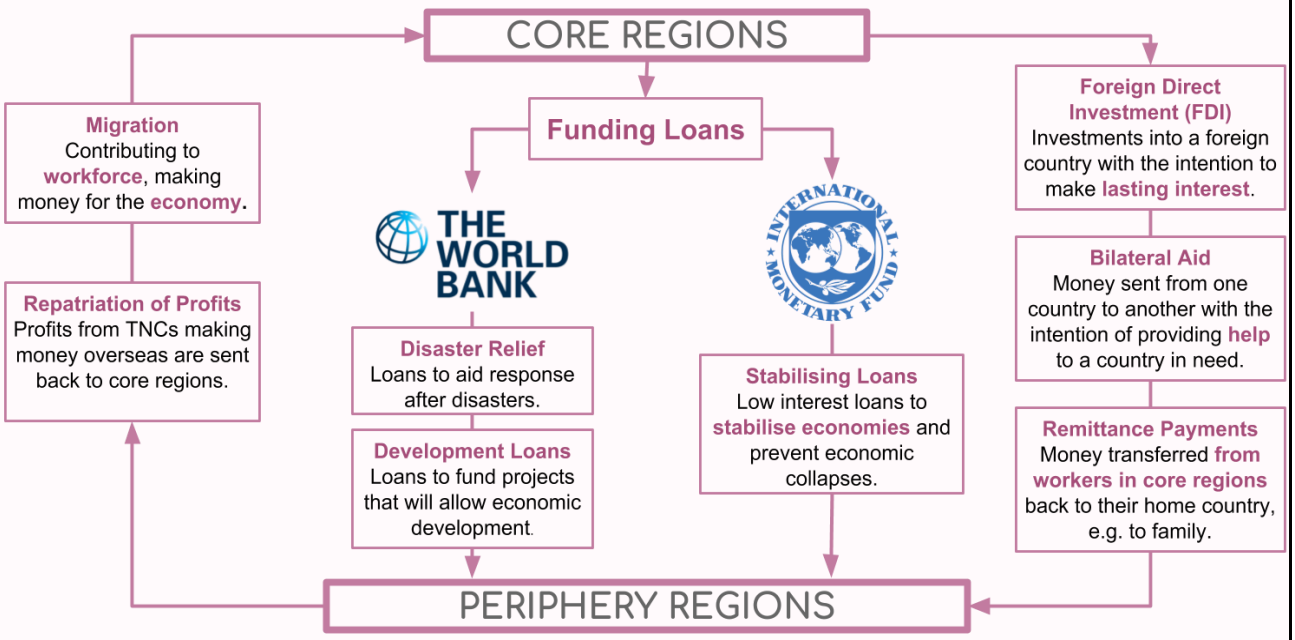
The different flows in globalisation are: **capital, labour, products, services and information**. These flows are the **dimensions** of globalisation - they are the reason globalisation exists.

FLOWS OF CAPITAL

Capital flows are the movement of **money** for the purpose of **investment**, **trade** or **business production.**

Major flows occur between:

1. **Core regions** - wealthier, developed countries that have power
2. **Periphery regions** - less wealthy, developing/ less developed countries that have less power)
3. The **International Monetary Fund (IMF)** - an international corporation that aims to (in their words) 'foster global monetary cooperation, secure **financial stability**, facilitate international trade, promote high employment and sustainable **economic growth**, and reduce poverty around the world.'
4. **The World Bank -** a group of global institution that give out **loans** for development or relief.



Loan repayments also flow back from any countries receiving loans.

FLOWS OF LABOUR

Flows of labour are the movement of **people** who move to **work** in another country. Essentially, this is **migration** that will **contribute to the workforce**.

Today, **3-4% of the world's population are international migrants**. The majority of migration is to high income countries (HICs) - only **1.6% of low income country populations** are made up of international migrants.

Migration within continents		
Country	**Amount of migrants** (Rank of size)	**Popular flows**
1. Asia	63 million (1st)	South Asia to West Asia
2. Europe	41 million (2nd)	Eastern Europe to West, especially to Germany and UK.
3. Africa	19 million (5th)	Neighbouring countries; South Africa has high migrant population
Migration between continents		
Country	**Amount of migrants**	**Popular flows**
1. Latin America and Caribbean (LAC) to North America	26 million (3rd)	Latin America to USA, especially Mexico to California.
2. Asia to Europe	20 million (4th)	Post popular migrants are from Kazakhstan, India, and China.
3. Asia to North America	17 million (6th)	Asian populations are highest in California and NY. Chinese, Filipino and Indian migrants are highest.

Highly skilled workers are usually highly trained in jobs that require a **great deal of skill**, such as in medicine, science, or ICT. Highly skilled workers may move to high income countries as **wages are higher for the same job** than in lower income countries.

Unskilled workers are those who are **underqualified** and do not possess 'expert knowledge' in their employment. Unskilled workers also move to developed countries for better wages and usually because of **high unemployment rates** in their countries. This can lead to **overpopulation** and **exploitation**, because many workers are still left in underpaid and often illegal work. This means many migrants continue to be low paid and low skilled.

FLOWS OF PRODUCTS

Flows of **physical goods** from one country to another. Globalisation has caused product flows to become **international**, meaning products are **produced** by a country and then **transported** to another country.

- Products used to be produced mainly in HICs as they had money to manufacture (factories, raw materials etc.)
- Products are now **traded internationally** due to **technological advancements**, such as better **transportation and communication**.
- A lot of production has relocated internationally (known as **offshoring**) especially to low income countries (LICs). These countries often have **lower labour costs** and reduced taxes, enhancing profits for companies.
- HICs import products from LICs, then sell them at much higher prices to make a **profit**.
- **Emerging economies** have increased the flows of **consumer products** to these countries, as there are more wealthy people.

FLOWS OF SERVICES

Services are '**footloose**' industries, meaning they can locate anywhere without constraints from resources or other obstacles. Services flow as they can be produced in a **different country** to where they are **received** (e.g. international call centres).

There are two types of services, **high level** and **low level.**

High level services: activities that generally require a higher **skill level**, meaning the person delivering the service should be **qualified and trained**. A prime example of a high level service are **financial services**; those who give financial services are usually trained and fully qualified as they should be well-informed to make decisions about money. Usually located in HICs, especially as **hubs** within cities.

Low level services: services that require less training, and are not as important to consumers. These services are mainly **customer service based**, especially **call centres** as workers only need basic training to offer advice or to sell products. **Low level services are offshoring** (moving overseas) in order to take advantage of lower labour costs. Offshoring has **developed global connections** and accelerated globalisation.

FLOWS OF INFORMATION

Any type of information can **flow** from one place to another via the internet, SMS, phone calls etc. For example, international news.

information flows occur for different **purposes**, and occur across many **platforms**.

- **Fast broadband** and **connections** allows news and financial information to be transferred almost instantly, allowing people to be more informed about global current events.
- **Social media** has allowed people to communicate across countries, and allows people to experience other cultures, making people across the world more **interconnected**.
- **Real time data** and data transfers contribute to the '**knowledge economy**' (quaternary industry). This is essentially the industry that requires information to develop, rather than products such as agricultural produce or manufactured products. The ability to transfer information has created developments in **stock markets, high-tech products, the education sector and many other areas of society.**
- Large **databases** and **archives** can be used for research and education.
- The ability to research allows people to seek better **employment opportunities**, creating more global connections and allowing online, work-from-home jobs.

Global Marketing

Globalisation has allowed businesses to **market** (advertise, promote and sell) their products on an **international scale**. This has grown many businesses due to increased **recognition** and **profit**. Global marketing involves different marketing strategies that overall allows the marketing to succeed:

Awareness of the brand: when a brand creates a **trademark** (a legally registered representation, such as a logo) it can be easily recognised by consumers. A familiar brand is more likely to sell as they are chosen over less well-known competing brands. By keeping this trademark worldwide, consumers in other countries are likely to recognise the brand and trust it.

American brands such as Apple, Coca Cola, and Nike have developed a **global awareness** of their brand, and are internationally well known. Buyers may assume their **success** and **popularity** equates to a good product, so the familiar brands are seen as **trustworthy** and continue to grow.

Keeping the same strategy: To make any changes to a marketing campaign will be **costly**, e.g. the costs for employment. Global marketing campaigns usually only need to change the **language** in order to promote their product, but sometimes a marketing campaign may need changed in order to respect cultural differences, such as religion or preferences.

Patterns of Production, Distribution and Consumption

PRODUCTION

Developed markets **dominate** the global exports in manufactured goods, especially the EU and the US.

For an enlarged version, visit:https://images.vouchercloud.com/image/upload/q_auto,f_auto,fl_strip_profile/imports_map

HICs with developed markets dominate automotive products, steel and iron, and agricultural products.

Middle-Eastern **emerging economies** are large contributors to the oil industry. Russia, Saudi Arabia, UAE, and Qatar are all in the top 10 exporters of fuel and mining products.

The textile and clothing industry are concentrated within **emerging economies** and LICs, especially in Asian regions. China is the world's biggest exporter of textiles and clothing.

Consumer technology (specifically office and telecom equipment) exports are concentrated in **emerging economies**. China makes up a third of the entire market - the amount of office equipment produced in these regions is likely due to the cheap labour prices, and ability to make and ship products in **bulk**.

CONSUMPTION

For an enlarged version, visit: https://images.vouchercloud.com/image/upload/q_auto,f_auto,fl_strip_profile/imports_map

In general, HICs **consume** manufactured products more than LICs. This is because there is a lot less **demand** for goods in LICs. In **developing economies**, there is a demand for fuel and minerals due to the rapid **industrialisation** in these economies, especially Brazil, China, and India.

In the least developed countries, imports are low. Chad and the Democratic Republic of Congo, and two former Soviet states – Georgia and Uzbekistan - import **medical supplies** more than any other country.

Factors Affecting Globalisation

Globalisation has **accelerated** and **deepened** due to different advancements globally. The development of **technology, international relationships, and the implementation of systems** have helped in creating a more globalised world. These advancements include:

$ New financial technologies and systems

Financial systems

Globalisation has created a **global financial system**, incorporating thousands of institutions and banks; borrowing/investing relationships occur **internationally** as well as nationally.

The **global financial system** accelerates globalisation as it makes the world more **connected**. Banks are now large global institutions that work with **millions of people's money**. Countries/companies can invest/lend millions in huge financial institutions like the World Bank.

Financial technologies

Financial technology has made financial information and money **easily accessible** for people across the world, deepening the connections between countries:

- **Communication technology** has allowed banks to communicate across the world, allowing for banks to have global **branches** with customers all over the world. This technology also allows companies to **invest offshore**, and still manage/collect their profits from overseas.
- **The internet** is also a type of financial technology, as it allows people to **transfer money**, be that for buying/selling products, remittances, or investments.
- **Cryptocurrency** (encrypted digital currency) has been developed, which has created a whole new market for online currency and trading

✈ Transport technologies, systems and relationships

Innovations in transport have made it easier to transport **goods and people faster** and in **larger quantities**. High speed rail, and faster and bigger planes and boats have allowed the world to become more connected and **globalised** through these connections.

Larger and faster aircraft with increased capacity have reduced travelling times, meaning products can be sold over a larger distance in a shorter space of time. Planes are built for the purpose of transporting goods, known as **cargo aircraft**. These large planes have accelerated globalisation.

(Source: https://northglennews.co.za/106314/super-jumbo-aircraft-makes-largest-ever-delivery-dube-tradeport/)

Advancements in transport have also allowed **people** to travel further and easier, which has increased **migration**. International migration is now crucial to national workforces and relationships with other countries.

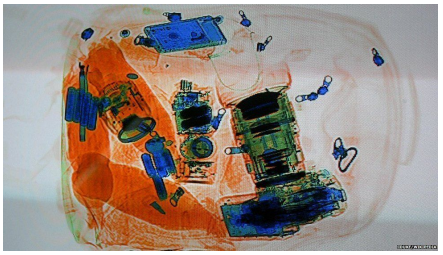
Containerisation has also changed how **freight** (products transported in bulk) can be transported internationally. Containerisation is the process of using large **shipping containers** to transport goods. Since the production of the large metal containers in the 50s, huge amounts of products have been loaded onto trains, planes and boats and transported. Containerisation makes global transportation **cheaper** as less trips are needed to transport the same amount of product.

(Source: https://www.worldatlas.com/articles/the-biggest-container-shipping-companies-operating-today.html)

Security technologies and systems

Due to our world being globalised, countries face **threats** from other countries. Therefore, certain **security systems** using **communication technology** and other technology have had to be developed in order to keep countries safe. These include:

- **Stricter regulations** upon entering a country and transporting goods. **International customs** is a **system** that uses **technology** such as automatic X-ray analysis. This controls the flow of people and goods in and out of countries to ensure security within the country. This system is put in place to ensure drugs, weapons, human threats etc. do not enter a country and cause harm.



(Source: http://ichef.bbci.co.uk/news/976/cpsprodpb/872E/production/_86560643_86558824.jpg)

- **Cybersecurity** is a **global concern**, and attacks can originate from **anywhere in the world**. Technologies are being developed to ensure cyber attacks can be traced, no matter the country they originate from.

- There are global systems put in place to limit **disagreement and wars**, protecting civilians and ensuring **security** within countries. The United Nations Security Council, for example, is an international organisation that aims to diffuse disagreements with the intention of maintaining international peace.

Communication technologies

The ability to communicate globally has allowed flows of **information, services** and **capital** to accelerate. For example:

- **Satellites and fibre-optic communication** enabled the growth of **internet** and **mobile phone systems**, in turn allowing **information and money** to be transferred internationally.

- Corporations can **communicate with overseas factories** quickly and easily, meaning the negatives of moving production overseas to low income countries are reduced.

- **Services** can be accessed through the internet or on the phone (e.g. call centres), allowing for thousands, if not millions of jobs to be created that can be accessed through communication technology alone.

- The global availability of smartphones and the vast number of apps, such as global positioning service (GPS) apps, and social groups, have added a new dimension to **migration**, allowing people to move with less restraints

- **Relationships** can be maintained even from great distances. This has **deepened global connections** and may also increase **flows of labour** as people are more likely to move if they can still communicate with their families abroad.

Management and Information Systems

There are common systems in the majority of global companies to make the management of companies more **efficient**.

1. **Economies of scale:** The concept of **increasing profits** by producing **a larger amount of products**, as overall the average price to manufacture each product is **lowered**. Companies save money by **upscaling** their production, e.g. buying and shipping in bulk to save money.

2. **Global supply chains:** The organised management of **product flows**, from when they are manufactured to when they are delivered to consumers. Due to the ability to **communicate information and transport products**, companies can now have different **stages** of production in different **countries**, which saves money.

3. **Outsourcing:** **Hiring other companies** to complete company tasks that are essential, but are not necessary to complete by the company itself (e.g. call centres, final manufactures, advertising etc.). Outsourcing saves money if done in **low income countries** due to lower labour costs.

4. **Offshoring:** Relocating a company process abroad, usually saving money due to lower taxes, lower prices of materials, and lower labour costs.

Trade Agreements

Globalisation has accelerated due to **trade agreements** across the world. Countries **trade** products to different countries; millions of products are imported and exported into and out of countries every year. Trade agreements have made globalisation **deepen and accelerate** as they make **international trading less expensive and easier**.

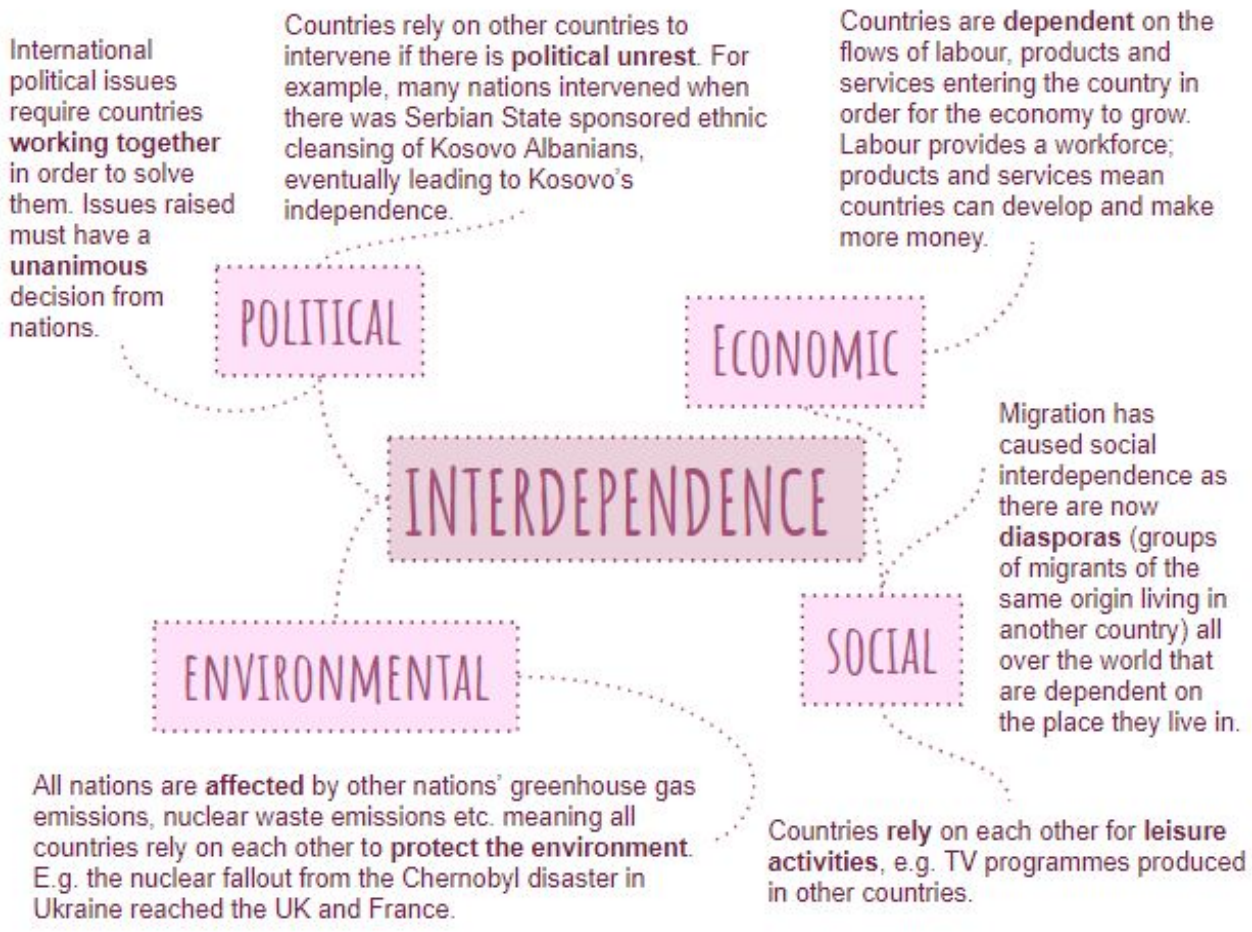
Trading products is expensive due to the **controls and restrictions** put on imports and exports. These restrictions are include:
- **tariffs** (a tax for importing and exporting goods);
- **non-tariff barriers** (NTBs), such as **quotas** (a limit/fixed number of goods) or requirements;
- and outright **bans** on products or country import/exports.

To lower the costs of trade, countries can enter **trade agreements**, which work to benefit all parties that are involved. In trade agreements, certain **restrictions can be removed** or lessened in return for another country doing the same. All trade agreements are overlooked by the **World Trade Organisation (WTO)** to ensure they are **fair**.

Interdependence

Interdependence is the theory that nations depend on each other economically, politically, socially and environmentally. Many contemporary societies are now classed as **interdependent** as they rely heavily on the decisions of other countries, meaning they would struggle and be detrimentally affected without them.

Our countries are **interdependent** in different ways, shown in this diagram:



Issues associated with Interdependence

Interdependence can cause issues for dependent countries due to **unequal flows**. The global flows of **people** (labour), **money** (capital), **ideas**, and **technology** are not **equal around the world**, sometimes countries give more, sometimes countries receive more. **Unequal flows** can be **beneficial to a country** as they can bring benefits socially and economically. However, unequal flows can also cause **inequalities**, and in some cases can lead to **injustice or conflict**.

Unequal flows of people

In general, **migration** occurs **from low income countries to high income countries**. This is due to there being more **opportunity** in high income countries (better employment, more freedom etc.). Therefore, the **flow of people** globally is unequal.

	Country that people are flowing **to**.	Country that people are flowing **from**.
Benefits	Migrants become intertwined in **work forces** and do often unwanted jobs.	Workers send **remittances** back to their home country, helping their economy to grow.

	States that are home to large **diaspora** population often have strong ties with the diaspora's country origin.	Those fleeing from **conflicts** or **poor quality of life** may have a better life in countries they move to.
Problems	Host country may become **dependent** on the migrant workers, which may cause issues if there is a change in circumstance.	The country that migrants originate from may become **dependent** on remittances, so a change in circumstance may be detrimental to the economy.
	Unequal flows can cause **overpopulation**. Many countries experiencing large flows of people believe they suffer due to **pressure on services** such as healthcare, and migrants 'taking' jobs.	Large amounts of emigration (leaving) can cause unemployment and economic deterioration, as areas may become **underpopulated**. Skilled workers leave to work in high income countries, meaning unskilled people are left to keep the economy running.
		As many migrants are more desperate for work than nationals, they may be vulnerable to **exploitation**, such as poor working conditions and low wages.

Unequal Flows of Money

As previously mentioned, the majority of money flows are **into** low income countries. Foreign Direct Investment, aid, remittances all flow **into** low income countries, whereas the flows of money **into high income countries** are majorly repatriation of profits/product sales. These flows of money bring both benefits and issues.

Benefits	Problems
To the country **receiving money**, foreign direct investments can **improve quality of life** as it provides an income, usually an income that is higher than other employment in low income countries.	Workers in low income are often **dependent** on the **higher wages**, meaning they must subject themselves to dangerous working conditions and low wages set by large companies.
Aid and remittances can also help to improve quality of life, such as rebuilding after a disaster. For example, $US11.28 million in foreign aid was given to Fiji after the devastating Cyclone Winston (2016), the majority of which has been invested into the	Foreign Aid can cause issues, as it can reduce **incentive** for governments to help their own countries. Also, large companies can pressure governments to **alleviate taxes** or **relax social and environmental laws** so that TNCs will invest.

Help for Homes scheme, which helps rebuild stronger homes.	
Those **sending money** can take advantage of **lower labour costs**, maximising their profits.	TNCs may **profit** too much; the amount of profit that stays in the country is very small.

Unequal flows of ideas

High income countries usually **dictate ideas** of how countries should be run, and how trade should be carried out. This is mostly down to these countries having **more money**, thus more power over less developed countries.

Benefits	Problems
High income countries have introduced ideas of **deregulation** to developing countries and **newly emerging economies (NEEs)**. Reducing **state ownership** has had benefits to developing countries, such as **lower prices of products and services** from competitive rates.	Some argue that **deregulation is occurring too quickly** for low income countries to keep up, and this is not allowing the **full benefits** of the growth of the private sector to be achieved. Rapid flows of FDI and growth of the global markets mean some countries cannot keep up, and a **reform** of regulations would work better than only **deregulation**.
Free-trade (**created** by HIC deregulation) has increased globally due to deregulation, allowing **global markets to thrive** and decreasing the risk of conflicts.	**Privatisation** allows **large companies** who buy originally state-owned industries to **grow**; the companies to profit rather than the LICs **poorer economy**.
Countries with successful strategies can **educate** low income countries on how to create **economic growth** or remove **social injustice**, meaning low income countries can implement these strategies.	Low income countries may feel **forced** to keep up with ideas of the wealthier countries, even if the ideas are not the most beneficial to these countries. E.g. it is a massive disadvantage to a country's economy if they **do not join trade agreements**.
	Deregulation may lead to more **relaxed** social and environmental laws in low income countries, causing social **injustice** and environmental **damage** without proper government regulation.
	Ideas of **multiculturalism** and **interdependency** may be disputed by some people. Some citizens few an interdependent country as a **threat** to their nation's **sovereignty**.

Unequal flows of technology

There are flows of technology both ways between HICs and LICs/NEEs. However, these flows are unequal as **different types of technology** flow between countries.

HICs and companies **invest technology in lower income countries** that will make **profit** (e.g. manufacturing equipment, components for assembly etc.) This type of technology does not flow from LICs to HICs because there are **less companies based in LICs that wish to invest in HICs** (as there are less benefits, including higher wages). In contrast, a lot of **consumer technology** is **manufactured in lower income countries**, only to be **distributed to HICs**.

Benefits	Problems
The **economies of LICs can develop** through technology investments, opening up factories and increasing employment. This also strengthens **trade deals** between HICs and LICs, which allows HICs to benefit from the exports of HICs.	People in LICs cannot afford to purchase technology that will **advance their economy** and **improve quality of life**, meaning HICs can rapidly develop with a **technological** advantage while LICs are left behind.
The concentration of technology innovation in HICs has lead to the development of **beneficial** technological advancements. This leads to consumers getting better products.	**Employees** receive **so little compared with what they are sold for**, which is an **injustice**. Companies make a **large majority of profits**, whereas employees are left with **little income**, and **often poor working conditions**.
Companies benefit from products being **produced overseas**, meaning they can maximise profits.	Companies investing technology into LICs means that HIC **manufacturing jobs** are often lost. This can leave many out of work due to job losses, and those with **relevant training** in manufacturing technology often have nowhere to go.

Unequal Power Relations caused by Interdependence

In general, richer, more developed countries are the more **powerful** countries. These countries have more **money and technology**, as well as **deeper relations with other countries**, meaning they are able to **influence** global systems to their advantage.

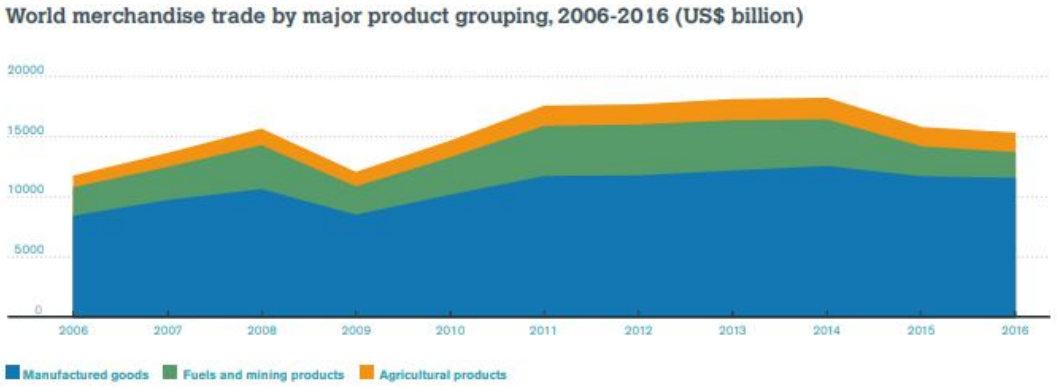
In contrast, low income countries that lack money and technology have less **influence** over geopolitical events. This is **problematic** for these countries, as they **rely** on the decisions made by richer countries, and only have the power to **respond** to the events rather than directly intervene.

Richer countries have control in global **environmental law and trade**, and they are more represented in **global institutions**. This means LICs may be affected negatively by the choices of richer countries, but do not have the power to respond, i.e. they cannot impose sanctions on other countries as they are too poor to, even if they disagree with the decisions of the countries.

International Trade

Trade and Investments in a Globalised World

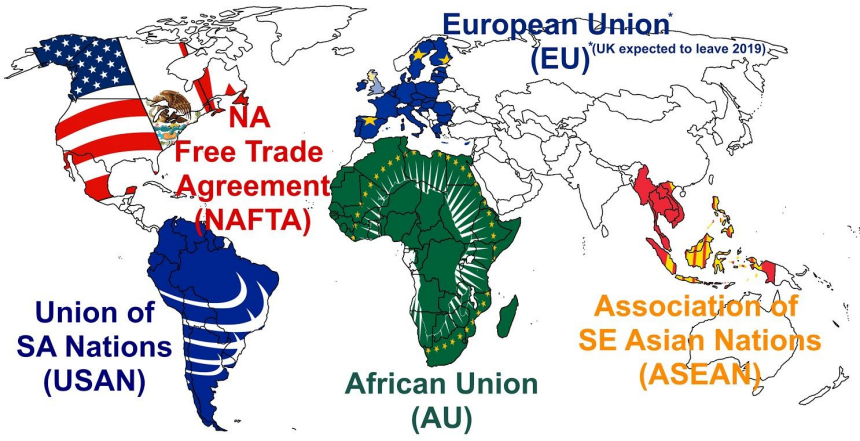
Volume: International trade is occurring **more than ever before**. Globally, the amount of exports has been steadily increasing. The only time trade has **decreased** was during the Global Financial Crisis. World exports of manufactured goods has increased from US$8 trillion in 2006 to US$ 11 trillion in 2016.
The amount of **global investments** occuring is also rising. FDI has risen from $400 billion to $1500 billion in 20 years.



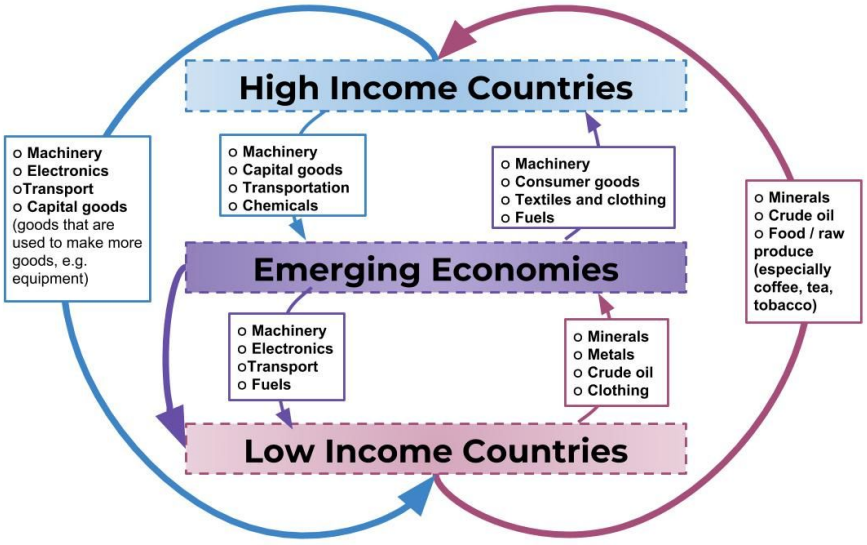
(Source: https://www.wto.org/english/res_e/statis_e/wts2017_e/WTO_Chapter_02_e.pdf)

Patterns:

- Trading and investments used to be heavily concentrated within **the most developed countries**.
- **Investments - HICs** investing into **LICs**; **emerging economies** invest in **LICs**
- **Trade - HICs** largest exporters; **emerging economies** also becoming large exporters (currently make up 41% of world merchandise trade)
  LICs trading more, but growth show (**less than 1% of global merchandise and commercial services exports.**)
- International trade is also changing due to new international **relationships**, these include:
  - **Fair trade:** Foundation to ensure producers receive **better trading conditions** and are not exploited because of their underdeveloped markets.
  - **Trade blocs**: Groups of countries in a **trading agreement,** allowing them to have certain **advantages** over other countries, such as reduced tariffs or higher quotas.



- Trading relationships between high income, middle income (NEEs), and low income countries generally follows the same pattern.



In general, economies with **more money** invest into those with **less money** in order to develop lower income countries. This generates economic growth in the LIC, and allows HICs to take advantage of the lower labour costs. This is why HICs especially send **capital goods** to lower income countries - these goods can create consumer goods, generating a profit. Emerging economies produce **consumer goods** for HICs, e.g. the garment industry in Eastern Asia and the Pacific.

Access to Markets within International Trade

All countries have **differential access to markets**. Access to markets refers to a nation or company's ability to **trade within the international market**. A country's access to market is limited by any **barriers** that limit a country's imports and exports. If access to markets is poor, a country is likely to be negatively affected. Economically, a country would be missing out on **profits from exports**, and societally, a country may miss out on products (and the poor economy may also negatively affect societal well-being).

Factors Impacting Access to Markets

Trade Agreements (such as trade blocs)

- **Improved access to markets** by trade agreements, as **relationships between countries** are created that allow more trade to occur. E.g. LICs being encouraged to trade where they would otherwise not be able to afford tariffs etc.
- **Reduced access to markets** as trade agreements disallow countries **within them** to trade as well with other countries.
- Countries **left out** of trade agreements must pay tariffs when those in trade agreements do not. Countries like Kenya struggle to get a good price for the food they sell to European markets, due to the tariffs placed on non-EU agricultural produce as an attempt to protect EU farmers. This has weakened LICs access to markets.

Other Agreements

- **Special Economic Zones** (SEZs): areas **within a country** that do not have the same **trading regulations** as the country they are located in. The regulations within the SEZs are usually **less strict**, with lower tariffs and lower taxes, increasing access to markets.
- **Special and Differential Treatment (SDT) agreements**: put in place by the WTO to help specifically **developing markets** with **poor access to markets**. Includes reduced tariffs and taxes, priority in trading etc.

Wealth

- **HICs** can afford to pay for higher tariffs on exports and imports, increasing access to markets.
- **HICs** also increase their access to markets through **FDI** into foreign markets
- **LICs** may struggle to pay for **high tariffs**, and cannot save money through offshoring and outsourcing as they do not have the funds. Poorer **access to markets**.

Transnational Corporations (TNCs)

TNCs: Companies that operate **across multiple countries**.

Spatial Organisation

1. The Headquarters of TNCs are usually located in **high income countries**. HQ is responsible for the **big decisions**, such as **investments**, **meetings with global organisations** etc.

(Source: http://fortune.com/global500/visualizations/?iid=recirc_g500landing-zone1)

This map shows the Headquarters of Fortune 500's largest companies. The majority of headquarters are heavily concentrated within the USA, Europe, Japan, as well as many in the emerging economy of China.

2. **Research and Development (R&D)** are the facilities in which customer research, software developing, plans for manufacture etc. is carried out. There are usually R&D facilities in the country where the TNC operates from, but there may also be multiple facilities in different countries, so that research can be **varied** and **specific to the target market**.

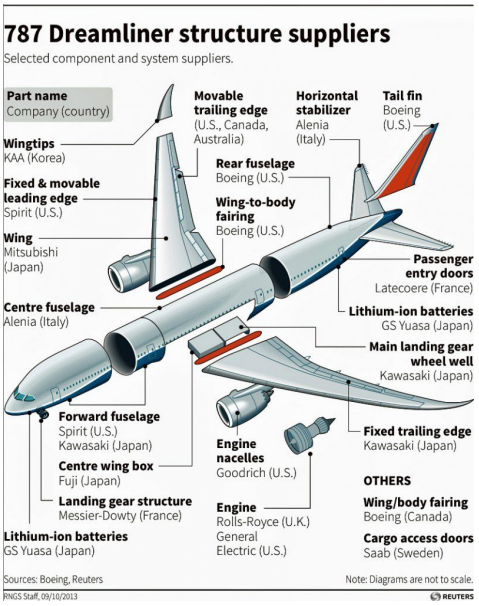
3. **Manufacturing** and production facilities are mainly concentrated in lower income countries due to increased profits. Lower costs for labour, lower material costs, and lower taxes/tariffs all contribute to the global shift in manufacturing. The **production** of TNC products is usually organised and complex, allowing the **greatest profits possible** to be achieved.

Production

TNCs use global **management systems** in order to maximise their profits. These systems of production, as previously mentioned, are:

- **Economies of scale:** TNCs usually have a large revenue, meaning they can afford to **upscale their production**. This allows **profits to increase** as less is spent in production.

- **Global supply chains**: TNCs use global supply chains in order to increase profits. HQ and R&D are in HICs, whereas the **production** often occurs globally, especially with TNCs that operate within the **secondary industry sector**.



As an example, Boeing is an American aircraft TNC. Different components are manufactured in different countries, which overall gives the **best product**. This type of global supply chain happens throughout TNCs.

Products that are made for **consumer audiences**, such as smartphones, use global supply chains as a way to **spend less money on manufacturing**. TNCs may often **invest in the source of raw materials** also in order to save money in the supply chain. E.g. many TNCs that provide food (like fruit) invest in plantations to lower the cost and remove the 'middle man'.

- **Outsourcing:** TNCs that provide **tertiary industry** products (services) will often **outsource** tasks to other companies in order to save money and time. TNCs like Apple outsource their manufacturing process so that profits can be maximised.
- **Offshoring:** Companies that make **manufactured products** will often have their factories in LICs due to lower labour costs, better taxes, weaker regulations for workers and weaker environmental regulations. This leads to much dispute about the **ethical issues** with TNCs exploiting poorer citizens in order to maximise their products.

Linkages

TNCs create **links** between countries and with other companies. Linkages are created in order to **benefit the TNC**, and often includes **expanding** the company.

- **Links through FDI:** TNCs create links with other countries by **investing in them**, which benefits the country as this creates jobs and contributes to the economy. TNCs can be investments into a factory, for example, but they may also take the form of:
    - **Mergers:** TNCs **join to form one larger company**, helping to form foreign links if the TNC is from a foreign country.
    - **Acquisitions:** A TNC **buys another company** in order to expand (usually a smaller company). Acquisitions are frequently associated with local job loss as a large TNC will take **full control**.
- **Links through integration**: TNCs often **expand** their company by creating linkages between other companies. There are two types of integration:

- **Horizontal integration:** taking ownership of part of the **supply chain,** e.g. buying a plantation
- **Vertical integration:** **taking ownership of another company**, often one that is in a similar industry. The food industry is a prime example of vertical integration. A lot of large companies control the majority of smaller companies, which can be seen on this map (http://www.convergencealimentaire.info/map.jpg)

Trading and Marketing Patterns

- The majority of TNCs trade with **HICs** due to demand
- **Rapid increase in demand for popular brands** in **emerging economies**, **increasing TNC trade links**
- In the lowest income countries, there is a lack of TNC-made consumer products, as few people have a disposable income to buy these products.

As TNCs are usually large companies with a **lot of revenue**, they can afford to **take advantage of global marketing**. Many TNCs use the same marketing strategy as it creates a **trademark**, but they also have the money to **adjust their marketing strategy to different countries** to **maximise profits**.

Global Governance

Global Governance: The process of **multiple nations** acting together to manage matters that affect **the entire world**. For example: climate change, famine, epidemics, war.

Global governance works on a **variety of scales,** from local to global. In short, decisions made by **global institutions affect all scales, including local**. This can be seen in many scenarios.

Trade agreements set by the WTO (a **global** institution) affects how trading happens internationally, for example in the EU (an international institution).

In turn, the Department for International Trade (a **national** institution) decides what products the UK imports from where.

A **regional** institution, such as a warehouse, receives the international products and distributes them.

A **local** shop buys the international products from the warehouse.

The effects of global governance **on a variety of scales** occurs in different respects, such as the environment. Nations sign global agreements, which affects, for example, how much CO2 localities can emit.

Global governance **maintains global systems** (e.g. the environment, politics, economics etc.) through **global societal norms**, global **laws**, and global **institutions**.

Norms in Global Governance

Norm: A **social norm**; normal and therefore **accepted** behaviour.

Although norms differ between countries, global governance has worked to develop **global norms**, mainly concerning the unfair treatment of people.

Countries may **disagree** with **societal norms** in other countries, but there is little that can be done to **globally govern** a country's norms and ideologies, which is where **international laws** are helpful.

Laws in Global Governance

International laws are legally binding, unlike a norm, meaning **failure to comply with this law** can result in **prosecution**. Anything from trading sanctions to attacks can result from countries not respecting international laws.

Global Institutions

In order for countries and people to be **governed globally**, there are certain **international institutions** that have been developed to **oversee** the maintenance of global systems. These institutions aim to **represent all nations**, as well as **protect these nations**. This can include the development and enforcement of laws, dealing with law breaks, keeping international peace, and promoting equality. The majority of global institutions are Intergovernmental Organisations (IGOs), as global governance should obviously include members from **around the globe**, so that all opinions are fairly expressed.

Global institutions have **positive** and **negative effects**. This is especially true of the United Nations, which will be discussed in more detail in a separate case study.

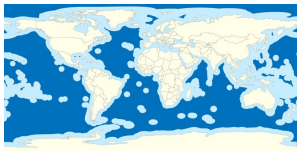
Promoting Growth and Stability	Exacerbating Inequalities and Injustices
Institutions aim for global **economic equality**, allowing less developed countries to **grow economically**, promoted by WTO regulations like SDTs.	Some institutions have been accused of creating **more inequalities** as they are not **representative** of every country, putting underrepresented countries at a disadvantage.
Global institutions also **stabilise economies**. The World Bank provides development loans and aid, and the IMF provides stabilising loans. These allow economies to stable during times of instability, hopefully avoiding economic crashes.	The World Bank and the IMF only give loans **conditionally**, which can lead countries **exposed to exploitation**. It is perhaps **injustice** to force countries to open their markets up to receive help.
Societal growth is promoted by global institutions maintaining **social equality**. The International Criminal Court, as an example, can prosecute those who have committed genocide, war crimes, or crimes against humanity.	International laws and treaties are **voluntary**, meaning many institutions do not hold **full power on global systems.** Furthermore, not every country in the world is part of the security council, meaning their laws and agreements do not apply to these countries.
Social stability is maintained by global institutions, including the **prevention of conflicts** and **promoting global health**. The World Health Organisation (WHO) combats global epidemics such as malaria, obesity, and ebola.	Despite global institutions' best efforts, some countries and companies may still **act against the policies**, which can create inequalities. For example, there is much conspiracy that Japan are acting against the International Whaling Committee by **illegally** whaling for profits.
Environmental stability is maintained by IGOs and other global institutions, such as non-government organisations (NGOs). The World Wildlife Fund (WWF) works to conserve the environment.	Companies may also **manipulate the rules of global institutions** in order to enhance their profits, which creates **injustices**. E.g. attacking SDTs because they are unfair, even if they are beneficial to poorer countries.

The Global Commons

'The Global Commons' is the concept of **an area that does not belong to a single country**. Rather than belonging to **nobody**, the commons are supposed to belong to **everybody**, meaning every country has a right to **benefit** from the Global Commons.

The four global commons are:

International Waters- areas of the sea that do not belong to a country.



https://commons.wikimedia.org/w/index.php?curid=17194963

The Atmosphere - the gases that surround the Earth, making life possible.

Outer Space - The area after our atmosphere.

Antarctica - The only continent without citizens, only scientists live there.

The global commons are **very beneficial to humanity** as they provide **untouched environments** for **research** and **wildlife growth**. Animals can **thrive** in these environments where humans cannot **interact**, such as deep sea creatures. **Scientific research** is also enhanced by these environments, as scientists can gather information about the world without interactions by humans, as well as beyond our world.

The Tragedy of the Commons

Unfortunately, as the commons do not belong to one country, this can leave the commons **vulnerable** to **exploitation**, especially considering these environments are **rich in resources** (such as oil, wildlife, minerals etc.).

The 'shared' nature of the commons has unfortunately left it vulnerable to issues such as mineral exploitation, fossil fuel extraction, overfishing etc.

Furthermore, the often **pristine and untouched nature of the commons** is also under threat from **human advancements**. CO2 levels are causing climate change, which affects the **atmosphere, the oceans, and Antarctica**. Furthermore, technology is, in some cases, threatening these commons as they are becoming more and more explorable every day. Therefore, these environments need the **proper protection** in order to stay a beneficial asset to mankind.

New **ocean exploring technology** is constantly being developed, meaning the deepest of oceans can be explored, and new species of sea creatures are found often. For example, Newcastle University discovered 3 new species in the Atacama Trench in September 2018. (Source:https://learningenglish.voanews.com/a/three-new-fish-species-found-in-pacific-ocean/4568736.html)

Protection

Although every country has a right to use the commons to **develop**, it is now recognised that this development must be **sustainable**. In order for the use of the commons to be sustainable, there are measures in place to ensure it is protected.

- **Global Institutions** have been created to directly manage issues associated with the global commons so that these issues can be solved in a fair and sustainable way. For example, between 1973 to 1982 the **United Nations** developed The United Nations

Convention on the Law of the Sea (UNCLOS), a **treaty** designed to tackle marine pollution, overfishing and competing territorial claims between states.

- **International laws** are now effective within the global commons, although these laws are usually set by institutions like the UN, so any non-member countries will not be prosecuted under these laws. There are several treaties in action to protect **outer space**, including the Convention on Registration of Objects Launched into Outer Space (Registration Convention), which ensures countries protect outer space by documenting their launchings etc.
- **NGOs** campaign to protect the commons, by spreading awareness as well as raising money for their protection.