



# Our Connected Planet

Geography for the Higher Level Extension  
of the International Baccalaureate  
Diploma Geography course



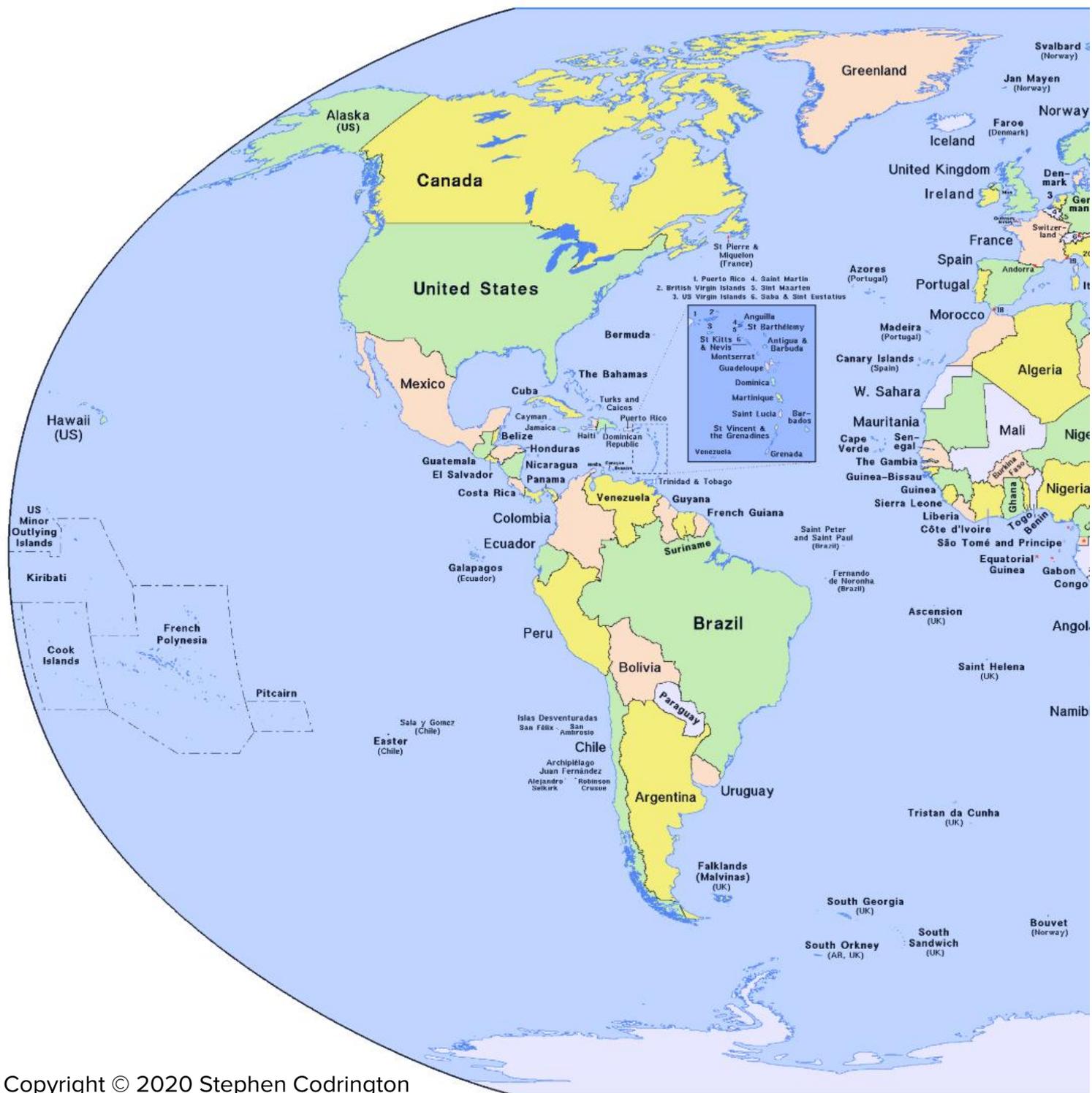
**E-BOOK**

**Stephen Codrington**



Solid Star Press  
Hong Kong

# Our Connected Planet



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**World Map** showing the names of countries, Robinson Projection. Public domain map developed with PAT software. Copyright © 2010, 2013 by Ian Macky.



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# The Author

Dr Stephen Codrington has a Ph.D. in Geography, and has taught the subject in several countries at both the high school and university level. He is the author or co-author of 61 books, mainly books that focus on his life-long passion for Geography.

Following his highly successful career as a teacher of Geography and Theory of Knowledge, including serving as the Head of five International Baccalaureate (IB) schools in four countries over 25 years, he is now Director of School Governance and Leadership Development, and Senior Lecturer in Education, at Alphacrucis Coolege in Sydney, Australia.

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Stephen has been honoured with election as a Fellow of the Australian College of Education, the Royal Geographical Society (UK), the International Biographical Association, and the Geographical Society of NSW, where has also been granted Honorary Life Membership. He was appointed to the role of IB Ambassador in 2014. He is a former Chairman of HICES (Heads of Independent Co-educational Schools). He was named International Man of the Year (Education) by the International Biographical Centre in Cambridge (England) in 1995-96. Stephen's work has taken him to 160 countries, and he has been listed in *Who's Who in Australia* every year since 2003.

From 1996 to 2001 he served as Deputy Chief Examiner in Geography for the IB Diploma Program, setting and marking examination papers, assisting with curriculum development, and leading many teachers' workshops.

He maintains a personal website at [www.stephencodrington.com](http://www.stephencodrington.com) that contains links to travel diaries and other items of geographical interest.



# Preface

*Our Connected Planet* explores the core theme extension of the International Baccalaureate Diploma Program (IBDP) Geography course for Higher Level students. The main focus of this theme is describing and analysing global interactions and development, and this is done through the study of three compulsory topics:

- Power, places and networks;
- Human development and diversity;
- Global risks and resilience.

One of the defining characteristics of the International Baccalaureate Diploma Program is its emphasis on developing international citizenship and global understanding. Surely no subject in the IBDP does this more effectively than Geography. As *The Guardian* editorial stated in August 2015:

“Geography is a subject for our times. It is inherently multidisciplinary in a world that increasingly values people who have the skills needed to work across the physical and social sciences. Geographers get to learn data analysis, and to read Robert Macfarlane. They learn geographic information systems. They can turn maps from a two-dimensional representation of a country’s physical contours into a tool that illustrates social attributes or attitudes: not just where people live, but how, what they think and how they vote. They learn about the physics of climate change, or the interaction of weather events and flood risk, or the way people’s behaviour is influenced by the space around them. All these are not just intrinsically interesting and valuable. They also encourage ways of seeing and thinking that make geographers eminently employable”.

*Our Connected Planet* is not designed to be a textbook in the traditional sense of one reference that covers everything for a course. In today’s world of the internet, there are many excellent resources to extend a foundational textbook. In that context, this book is intended to serve as just one of many resources for IBDP Geography students.

This book had its origins in a single volume called *Planet Geography* which was the first resource book written in English for IBDP Geography. Initially published in 2002, *Planet Geography* saw seven editions, and in some ways, this book and its companion volumes represent a significant update of *Planet Geography*.

*Our Connected Planet* is deliberately richly illustrated with photographs, maps and diagrams. This is important because we know that people absorb data from a variety of sources, and many students gain information more easily from pictures and diagrams than the written word. Colour photographs have been used extensively to illustrate the material, with most photographs in the book taken by me while undertaking geographical fieldwork. Case studies are an integral part of the book, and serve not as ‘add-ons’, but as a means of developing concepts in a way that relates effectively to the real world. Each chapter in the book is designed to cover six to eight hours of teaching time.

The subject of Geography has given me enormous pleasure over the years, and this book is my attempt to share some of the insights of this great subject with another generation of learners. This book, like its companion volumes, is my way of saying ‘thank you’ to the thousands of people with whom I have lived and worked over the years in the field of Geography.

My aspiration for the readers of this book is both simple and important – I sincerely hope that every reader of this book will acquire the knowledge and wisdom to become an effective steward of our connected planet, committed to ensuring its healthy survival and vibrant flourishing.



# Section 1

## Power, places and networks

Burj Khalifa, Dubai, UAE; the world's tallest building



**1.1** Globalisation today — a McDonalds restaurant in Bangkok, the capital city of Thailand. Thailand is a country with its own strong cultural traditions, while McDonalds is a widely known US-based global corporation. The ‘Ronald McDonald’ statue is welcoming customers with a traditional Thai greeting, known as the ‘wai’, in which the hands are pressed together in a prayer-like fashion.

## Globalisation and global interactions

### The difference between global interactions and globalisation

The word ‘**globalisation**’ is in danger of losing much of its meaning, at least in everyday speech and in the media. The word is used in many different ways to serve competing political agendas, often with strong positive or negative emotional overtones. Consequently, the meaning of ‘globalisation’ has become **diluted**, perhaps like

some other politically-charged words such as democracy, liberalism and socialism.

According to the IMF (International Monetary Fund), globalisation is “the **growing interdependence** of countries world-wide through the increasing volume and variety of **cross-border transactions** in goods and services and of **international capital flows**, and through the more rapid and widespread diffusion of **technology and information**”.

At a simpler level, globalisation can be **defined** as the development of an increasingly **integrated**

**global economy** that is characterised by **free trade**, **free flow of capital** from country to country, and the use of the **cheapest labour** that is available internationally.

Globalisation is just **one facet** of global interactions. The term '**global interactions**' refers to the **two-way process** by which **goods, services, cultures, employment, ideas** and **environmental pollution** may be **adopted, adapted, moved** or **resisted** by societies. The process of global interaction is neither inevitable nor universal.

'Globalisation' is therefore a **narrower term** than 'global interactions'. Globalisation tends to be a linear (or **one-way**, sequential) process that results in Western cultures, economic structures and political systems being **imposed** on countries that lack the financial strength or willpower to resist them. By contrast, global interactions cover a broader spectrum of **two-way** inter-relationships and connections between countries across the world.

## Globalisation

Not everyone agrees that globalisation actually exists. **Sceptics** argue that there is no such thing as globalisation because there are vast areas of the world and large numbers of people who are unaffected by it, and so whatever processes are occurring are not truly global. On the other hand, **globalists** argue that there is a set of common processes affecting almost every part of the world. The reality is that there are **wide disparities** between places in different parts of the world, and the process of globalisation affects some places more strongly than others. Globalisation has a **variable distribution** across the world, and while it occurs almost everywhere to some extent, it is not a homogeneous process. Focussing on global interactions rather than globalisation allows us to analyse these disparities and understand the differences between global processes in different parts of the world.

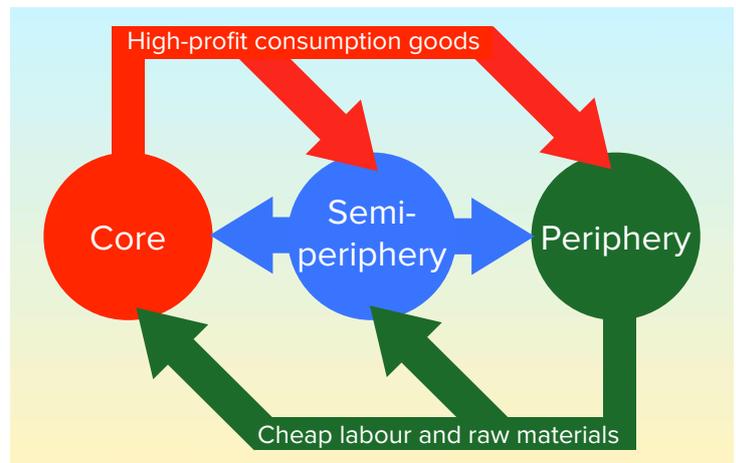
### The origins of globalisation

It could be said that **globalisation began** when the first human beings began moving in search of better food and safety, and that movement has never stopped. Trading has been a constant feature of

human life going back thousands of years. The ancient empires of Egypt, Greece and Rome relied on trade around the Mediterranean Sea for their growth and stability. Other world empires in South-east Asia, East Asia, West Africa and East Africa, and later the European empires, also relied on trade and international links for their wealth.

The expansion of empires led to a **three-tier world system** that continues to persist today:

- **Core regions** are the areas that dominate trade, control the most advanced technologies, have diversified economies and high levels of productivity.
- **Peripheral regions** have high levels of dependency on the core regions through disadvantageous trading relationships, less advanced technologies, narrowly specialized economies and low levels of productivity.
- **Semi-peripheral regions**, which were once peripheral regions, are now able to exploit the peripheral regions, but are dominated by the core regions.



1.2 The world system model of core-periphery.

The development of this three-tier model, which flowed from European colonialism, was based on **economic motives**. European powers needed an extended area for trade that could supply foods and industrial raw materials and provide a market for goods manufactured in the core.

**Industrialisation** of the core countries (mainly the colonising European powers) allowed them to make profits by **exporting manufactured goods** and machinery to the periphery, and these profits allowed the core countries to buy and **import foods and raw materials** from the periphery. This process

established a pattern of **uneven development** that failed to bring development to most people in the periphery, often bringing instead deprivation, exploitation and both political and economic domination. Many of these disparities continue today. Some places (such as India, Malaysia, South Africa and Jamaica) are more closely interconnected, while others (such as Burkina Faso, Niger, Myanmar and Laos) have largely been bypassed or excluded. There is no one common experience of globalisation.

One consequence of the three-tier world system was the rise of an **international division of labour**. Residents of colonies began to **specialise** in producing goods that were in demand in the industrialised core, and many of these specialisations persist today in countries that still earn the bulk of their export income from these products:

- bananas from Central American countries
- cocoa from Ghana
- coffee from Brazil and Indonesia
- copper from Chile
- cotton from India
- jute from Bangladesh
- palm oil from West African countries
- rubber from Malaysia
- sugar from Caribbean countries
- tea from Sri Lanka

During the 1990s and the early years of the 21st century, the process of globalisation **intensified** and **magnified**. Globalisation expanded as market capitalism spread around the world, causing increasingly complex transnational ties to become even more densely integrated into a single interdependent system on a global scale.

### Globalisation controversies

As this occurred, globalisation became an increasingly controversial political issue, leading to fierce **debates** and **protests** across the world. Newspapers and television news broadcasts began to carry images of masked protesters trashing multinational brand shops, shouting and carrying placards. Globalisation was the target of a worldwide protest **campaign** in 2011 and 2012 that began as the “Occupy Wall Street” movement before spreading to some 25 countries. The protests were usually carried out using the slogan “we are the



**1.3** Harvesting tea on a plantation in the Highlands of Papua New Guinea, east of Mount Hagen. Tea cultivation on plantations was introduced by foreign interests during the country’s colonial era, and it continues to be a specialised export product today, reflecting the international division of labour.

99%” to emphasise the claim that large corporations (1% of people) dominate the vast majority of people (the 99%) through the global financial system in a way that disproportionately benefits the small minority and undermines democracy. To the protesters, the word ‘globalisation’ had come to embrace much that was wrong with the state of the world.

Protesters continue to claim that globalisation is to blame for such diverse problems as **child labour**, **unemployment**, and **environmental decay**, and the agents of globalisation are multinational companies, the World Trade Organisation, and even American fast food and pop music. They blame globalisation for sharp fluctuations in global finance, such as the Global Financial Crisis that occurred in 2008 and 2009.



**1.4** Anti-Globalisation protesters in Chicago, Illinois, USA.



1.5 Signs in front of the tent city erected by 'Occupy London' protesters in front of St Paul's Cathedral in London, UK.

And yet, others claim that globalisation is **not inevitable** and that it is **beneficial**. Supporters of globalisation claim that it has created millions of jobs from Malaysia to Mexico, and has brought a huge range of affordable goods to consumers in high-income countries and elsewhere. Globalisation is also claimed to have brought telephone services to some 300 million households in low-income countries and that through the internet, the gap between the world's rich and poor is becoming smaller. It is even claimed that globalisation has helped topple dictators by making information available in once closed societies.

### Globalisation and globalisation

The **debate** has led many geographers and economists to **split the definition** of globalisation so that the one word can have two quite different

meanings. In his 2013 book *Introducing Globalization*, Matthew Sparke, who is Professor of Geography and International Studies at the University of Washington, distinguished between **lower case 'g' globalisation** and **upper case 'G' Globalisation** as follows:

- **globalisation** is the extension, acceleration, and intensification of consequential worldwide interconnections.
- **Globalisation** is an instrumental term put to work in shaping as well as representing the growth of global interdependency.

According to Sparke's definitions, globalisation is the analysis of the **process** of real global interconnections, but Globalisation is the analysis of how globalisation is talked about and **portrayed**. Whereas globalisation attempts to describe real-world processes and impacts, Globalisation is about the representation and portrayal of reality, or the ways in which the word is used by politicians and others to promote a political agenda. Lower-case 'g' globalisation examines the ways in which events in one place impact events elsewhere, whereas upper case "G" Globalisation is an influential buzzword to present globalisation in a certain way to serve a political agenda, which may be either supportive or antagonistic of globalisation.

Another way to express upper case "G" Globalisation is to use the term **neoliberal globalisation**. **Neoliberalism** is the ideological commitment to individual (or personal) liberty, a belief in free-market capitalism, and opposition to government intervention in the economy. It is based on the writings of the economists Friedrich Hayek and Milton Friedman, as well as the political policies of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom.

Sparke identifies **ten characteristics** of neoliberal globalisation together with their common sound-bite slogans:

- **Trade liberalisation** – "adopt free trade".
- **Privatise public services** – "use business efficiency".
- **Deregulate business and finance** – "cut red tape".
- **Cut public spending** – "shrink government".
- **Reduce and flatten taxes** – "be business friendly".

- **Encourage foreign investment** – “reduce capital controls”.
- **De-unionise** – “respect the right to work and labour flexibility”.
- **Export-led development** – “trade, not aid”.
- **Reduce inflation** – “price stability and savings protection”.
- **Enforce property rights** – “patent protection”.

During the 1990s and early 2000s, this package of ten policies was adopted by or imposed upon many low-income and middle-income countries across the world. In some countries, the policies were imposed through a process known as **shock therapy**. In shock therapy, price controls, currency restrictions and government subsidies are suddenly

withdrawn, exposing an economy that had previously been shielded from the full brunt of international market forces to severe pressures in order to cause immediate (but often painful) **restructuring**. Examples of countries where shock therapy was implemented include Chile, Bolivia, Poland, and the Czech Republic.

Political use of upper case ‘G’ Globalisation in discussions and debates has shaped many people’s **perceptions** of the process of globalisation, often through the use of emotional, over-simplified and ideologically-based discourse. It has also served to **embed** neoliberal globalisation as the ‘natural’ form of global interactions in the minds of the general public, engendering either unquestioning support or blind opposition to Globalisation that fails to understand the full extent of globalisation. In Theory of Knowledge parlance, Globalisation has become a **straw man** for globalisation.

### Globalisation myths

Political debates about Globalisation have led to the rise of **three myths**:

- that globalisation is **new**.
- that globalisation is **inevitable**.
- that globalisation **reduces inequality**.

The **first myth** suggests that globalisation is unprecedented and that the world has never previously experienced this type of phenomenon. However, globalisation is a long-established **historical process** that did not begin suddenly, but rather has been underway since ancient times when empires in Europe, Asia and Africa engaged in the trade of goods and services throughout their known worlds. The **reasons** that some people mistakenly believe that globalisation is a new phenomenon include:

- **The greater influence of transnational corporations (TNCs)**. Transnational corporations are not new (as the existence of the British East India Company from 1600 to 1874 demonstrates), although the global reach and intensity of their influence has spread in recent decades due to new trade agreements, relaxed controls on foreign investments, new labour agreements and outsourcing.
- **New technologies** seem so impressive to many people that they confuse technological innovation with the fruits of globalisation.



**1.6** Shock therapy was used in Poland to transform a socialist economy to a neoliberal capitalist economy following the fall of communism in the early 1990s. The experience in Poland was less negative than in other countries where shock therapy was applied, such as Chile and Bolivia. This view shows transnational corporation signage in Warsaw, the capital city.

- The rise of upper case 'G' Globalisation has brought lower case 'g' globalisation to the attention of many more people who were **previously unaware** of the process.

The **second myth**, which suggests that globalisation is inevitable, is often **promoted by neoliberal politicians**. The former British Prime Minister, **Margaret Thatcher**, famously said of global market integration "*There Is No Alternative*" (often shortened to *TINA*). Less concisely, the former US President, **Bill Clinton**, said "*The intensifying process of economic integration and political interdependence that we know as globalisation is clearly tearing down barriers and building new networks among nations, people and cultures, at an astonishing and historically unprecedented rate. It has been fuelled by an explosion of technology that enables information, ideas and money, people, products and services to move within and across the national borders at increasingly greater speeds and volumes... This process, I believe, is irreversible*".

As a result of politicians proclaiming the inevitability of globalisation, neoliberalism has been **normalised** in the minds of many people in the general public. There is, however, a logical paradox in asserting that the inevitability of globalisation necessitates the imposition of neoliberal reforms.

Globalisation cannot be inevitable if it requires advocacy and intervention by governments to implement or impose it. In Bill Clinton's words, "*Globalisation is going to proceed and you can't stop it even if you want to. But you cannot have a global economy unless you also have a global economic empowerment policy, a global education policy, a global environmental policy, and a global security policy*".

The **third myth**, that globalisation reduces inequality and will eventually lead to everyone having equal opportunities, is often supported by anecdotal examples such as the establishment of telephone call centres in low-income countries such as India and the Philippines, and outsourcing of some basic medial services to low income countries. **Thomas Friedman**, the author of *The World is Flat*, supports this position saying "*(Globalisation has created a single, integrated, open plain. Today that plain grows wider, faster and more open every day, as more walls get blown down and more countries get absorbed. And that's why today there is no more First World,*

*Second World or Third World. There's just the Fast World – the world of the wide open plain – and the Slow World – the world of those who either fall by the wayside or choose to live away from the plain in some artificially walled-off valley of their own*" (1999. P.41).

The **conclusion** that arises from Friedman's analysis is that countries and communities must either join the Globalisation movement and implement neoliberal reforms or be left behind and miss out on the benefits of Globalisation. The **implication** is that if a country does get left behind or misses out, then it is their fault for choosing to be a backward, disconnected part of the 'Slow World'.

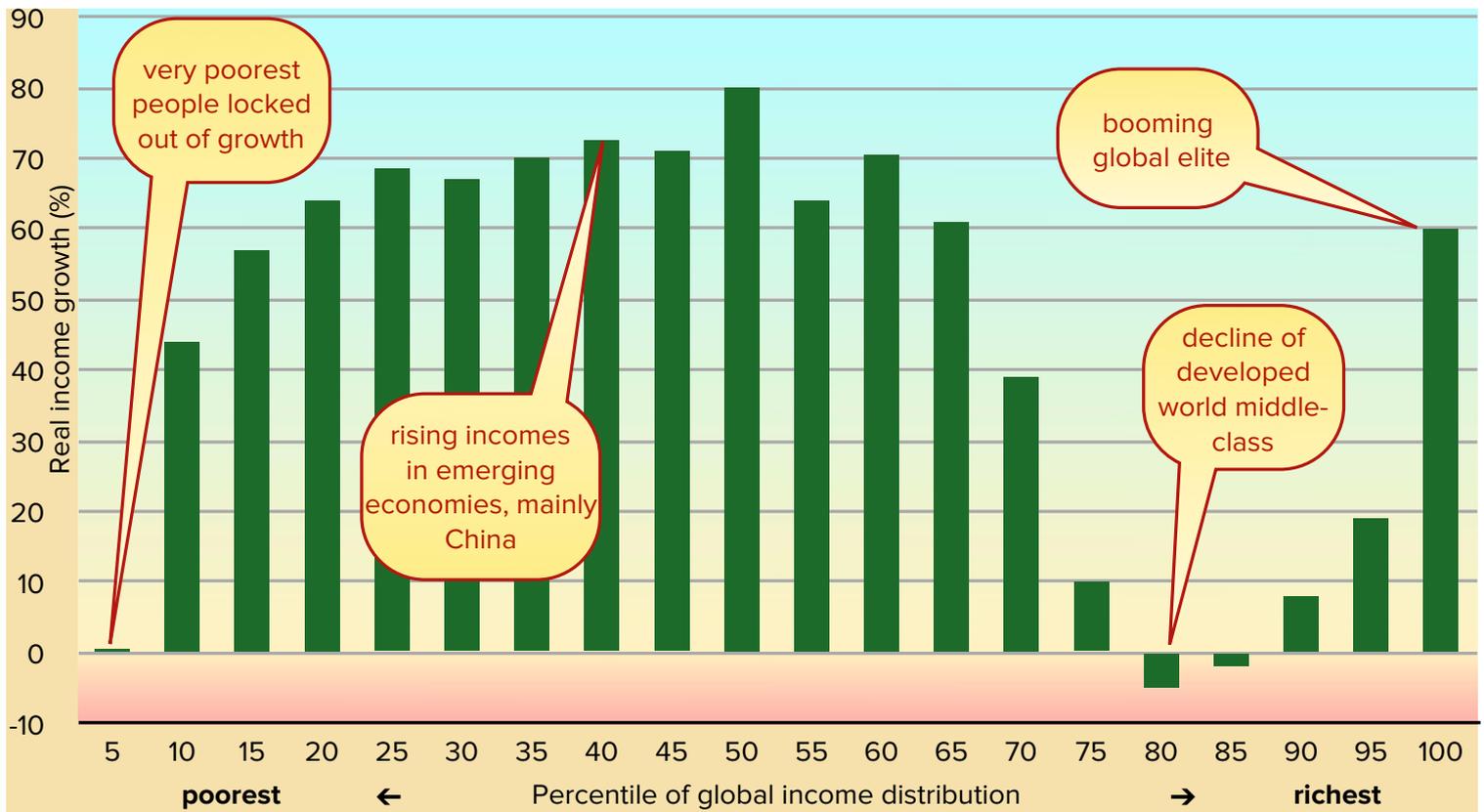
However, the **statistical evidence** suggests that as neoliberal globalisation has accelerated, **global inequality has increased in absolute terms**, so that



**1.7** Neoliberal globalisation has benefitted many transnational corporations based in high-income countries that operate internationally, such as the oil, gas and energy companies whose offices are accommodated in these and other similar buildings in Houston, Texas, USA.



**1.8** In contrast to the scene in the previous photo, very few residents of low-income areas such as Bamako, Mali's capital city, have seen the fruits of neoliberal globalisation.



1.9 Changes in global income, 1988 to 2008.

Source: Re-drawn from data in Branko Milanovic (2014), *Global income inequality by the numbers*, World Bank Research Department, cited by Drew Desilver (2014) *How two decades of globalisation have changed the world*, Pew Research Centre.

today the world’s top 1% of population has more combined wealth than the bottom 95%. This trend has been mirrored **at the national scale** within wealthy, high-income countries. In the United States, for example, the bottom 99% of the population saw their share of national income decline from 91% in 1976 to 79% in 2010. The share of wealth owned by the bottom 90% of the US population dropped from 19.1% in 1962 to 12.8% in 2009. Today in the United States, the top 0.1% of the population has about the same wealth as the bottom 90% of the population.

At the **global scale**, the picture is somewhat more complex. The process of gathering extensive quantities of data from all parts of the world is a huge task, and it was not until 2014 that researchers had assembled comprehensive data showing changes in global income for the period 1988 to 2008 (the period of accelerated Globalisation). This 20-year period from 1988 to 2008 was the time when neoliberal globalisation spread widely following the fall of the Berlin Wall and the collapse of communism in many countries, together with the adoption (sometimes voluntary, sometimes forced) of Ronald Reagan’s and Margaret Thatcher’s economic policies.

Figure 1.9 shows the **changes in global incomes** during this period of accelerating neoliberal globalisation. In this graph, the vertical axis measures real income growth (in constant US dollars, adjusted for inflation, measured on a purchasing power parity [PPP] basis) between 1988 and 2008. The horizontal axis shows income levels from the lowest (at the left) to the highest (to the right), arranged by percentiles that indicate the percentage of the population that are being out-earned. In other words, a person who falls on the 10th percentile earns more than 10% of the world population as a whole.

During the period 1988 to 2008, the world’s **top income earners** did very well financially, with their incomes growing by 60%. However, the largest gains in percentage terms (but not in absolute income) occurred among income earners between the 20th to 65th percentiles. This band includes the **emerging global middle class** in countries such as China, India, Indonesia, Brazil, Azerbaijan and Egypt. The statistics suggest that in terms of percentage increases in income, the major ‘**winners**’ of neoliberal globalisation have been the global top 1% and the new middle class in emerging economies.



**1.10** Young men and women in Azerbaijan show off their latest fashions against the skyline of the country's capital city, Baku. A middle class emerged in Azerbaijan following the breakup of the USSR (of which it used to be a part) and subsequent growth of the country's oil exports. The emerging middle class is thus seen as a consequence of globalisation.

On the other hand, the **'losers'** of neoliberal globalisation have been **the bottom 5%** of income earners, most of whom are located in **Africa**, and people clustered around the **80th and 85th percentiles**, most of whom live in **high-income countries**. There are two groups of people falling into the 80th to 85th percentile bands, these being people in post-Communist countries such as Russia, Ukraine and Poland who were unable to adapt to a market economy, and lower middle class residents in the United States and Germany. These statistics help us understand why some politicians in the US and parts of Europe campaign on claims that jobs from the US and Europe have been exported to Asian countries such as China, India, Vietnam and Indonesia, and to Latin American countries such as Mexico, Brazil and El Salvador.

Thus, globalisation during the period 1988 to 2008 has brought **large percentage increases** in income for people in the 10th to 70th percentile groups as well as those in the 100th percentile. However, the **absolute size** of the increases in dollar terms (rather than the percentage increases) for the top income earners means that neoliberal globalisation has tended to magnify the gap between rich and poor people, and rich and poor countries.

## Theories of globalisation

As we have already seen, globalisation is a complex and controversial concept. Some people regard globalisation as an **economic** process, some as

**political**, while others see the concept more broadly, embracing a range of **social, political, cultural** and **economic** forces. Studying globalisation is complicated by the fact that it is no longer an emotionally or politically neutral word. Many commentators confuse Globalisation with globalisation and use the word judgementally – both positively and negatively.

When used as an adjective, the word **'global'** is useful to describe a scale that encompasses the entire planet – it has no connotation politically of 'good' or 'bad'. However, when used as a noun, the word **'globalisation'** is very different. It was described by geographer Phil O'Neill as *"one of the most powerful words in human history, rivalling words such as religion, capitalism, war and poverty in terms of description of world events, concern for the human condition, and impact on ways of thinking"*.

The various ways that people view globalisation can be grouped conveniently into **four theories of globalisation**, each of which overlaps to some extent with the others.

### The World-Economy Theory (or Hyperglobalisationism)

**Hyperglobalists** would define globalisation as the process by which the capitalist world-system spreads across the entire globe.

They argue that the global market place has become (or is becoming) so advanced and integrated that the nation-state is becoming obsolete. Some hyperglobalists argue that this is a **good thing** because the market is more rational than governments could ever be. On the other hand, other hyperglobalists argue it is a **bad thing** because corporate power is usually less compassionate than governments, most of which are, after all, accountable to the population through elections (unlike companies and corporations).

Many hyperglobalists argue that this process nearly reached its geographical limit during the 1990s as the capitalist market system seemed to be operating, at least to some extent, in every country in the world. They argue that it is simply the **completion** of a process that began in the late 1400s and early 1500s when European countries began exploring the globe for raw materials, often

establishing colonies to guarantee the supply of the materials needed.

Hyperglobalists argue that the world-economy now comprises a **single world market** and a **single, mobile labour force** (that happens to be located in many nation-states which may have different cultural priorities and aspirations). Countries in the **core** of this world-economy concentrate on higher-skill, capital-intensive production. These countries have strong armed forces, and they consume much of the profits of the whole world-economy.

In contrast to the core countries, **peripheral areas** focus on low-skill, labour-intensive production and the extraction of raw materials. They generally have weaker armed forces and weaker economies. Between the two extremes of the core countries and the peripheral areas, there are **semi-peripheral areas** that are less dependent on the core than the peripheral areas are – these semi-peripheral areas have more diversified economies and stronger military forces than the peripheral countries. Today, the core is made up of the wealthy industrialised countries, such as the USA, the UK, France, Germany and Japan. The semi-periphery includes many states with rapidly growing or emerging economies, such as China, India, Saudi Arabia, Brazil and Poland. Poorer, recently independent colonies are the main countries comprising the periphery.

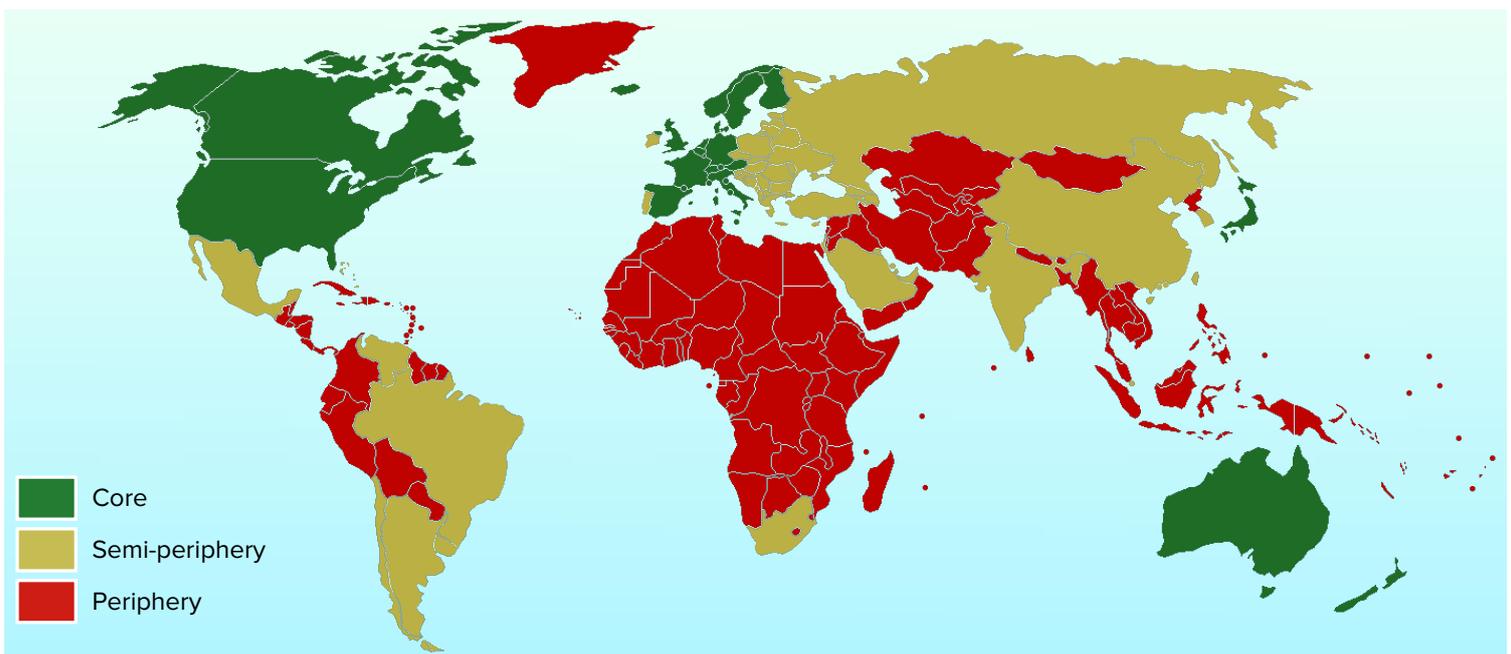


1.12 A symbol of hyperglobalisation, or world-economy theory – an American-owned Burger King outlet in Dili, Timor Leste.

## The Regional Bloc Theory (or Global Scepticism)

**Global sceptics** disagree strongly with hyperglobalists. They dispute that a single world market exists, and they argue that the growing internationalisation of trade and investment is really the growth of several **regional economic blocs**, such as the European Union.

The growth of regional trading blocs has **benefitted** some countries (mainly those within the blocs) and **disadvantaged** others, marginalising them from the benefits of economic growth and development. Global sceptics view globalisation not as a reality, but as a **strategy** to expand capitalism, which is why violent protests against Globalisation (neoliberal globalisation) erupt from time to time.



1.11 The hyperglobalist view of core and periphery areas of the world.

According to the regional bloc theory, there is no single government or institution guiding the process (or, rather, strategy) of globalisation, although there is a general acceptance among economic decision-makers that neoliberal capitalism is a worthwhile framework of reference. Some global sceptics see this unquestioning acceptance of neoliberal capitalism as being the root of the problem of globalisation, as capitalism in its pure form emphasises **competition** and financial **efficiency** over **compassion** and **care** for oppressed and disempowered people. As former IB Director-General George Walker commented, “*Globalisation looks very different when it is seen, not from the capitals of the West, but from the cities and villages of the South, where most of humanity lives*”.

## The Third Way Theory (or Transformationalism)

A **third view** of globalisation seeks to find a **relationship** between economic processes occurring at the **global** and **local scales**. This theory is sometimes known as the transformational view because it looks for ways of **transforming the powers** of the nation-state to cope with the pressures of globalisation, rather than simply focussing on the global forces that reduce the powers of the nation-state. Transformationalists therefore seek to **challenge existing institutions** to reform or restructure, or encourage greater local autonomy. The transformational view is often linked to a political agenda, especially in Europe, where it is popularly known as ‘**the third way**’. The Third Way theory is summed up by the common exhortation: ‘*Think Globally, Act Locally*’.

For transformationalists, the challenge of globalisation is to **maintain diversity** in the face of economic forces that encourage uniformity. This desire to preserve and celebrate difference against cultural homogenisation is shared with many people who see globalisation in terms of the fourth theory, the world-culture theory.

## The World-Culture Theory

The three theories mentioned above all view globalisation primarily as an **economic** process, or economic force. The **world-culture theory**, in contrast, sees globalisation as the increasing **uniformity** (or **homogenisation**) of **cultures** across the world. Whereas the three previous theories view the growth of a single world culture as a **consequence** of globalisation, the world-culture theory views it as **an integral part** of globalisation.

The force leading to homogenisation were described by **Thomas Friedman** in a newspaper interview in 2011 as **hyperconnectivity**. He described the growing interconnectedness in the world using these words: “*In the last decade, we have gone from a connected world (thanks to the end of the Cold War, globalisation and the Internet) to a hyperconnected world (thanks to those same forces expanding even faster). And it matters. The connected world was a challenge to blue-collar workers in the industrialised West. They had to compete with a bigger pool of cheap labour. The hyperconnected world is now a challenge to white-collar workers. They have to compete with a bigger pool of cheap geniuses — some of whom are people and some are now robots, microchips and software-guided machines. I wrote about the connected world in 2004, arguing that the world had gotten “flat.” When I made that argument, though, Facebook barely existed — and Twitter, cloud computing, iPhones, LinkedIn, iPads, the “applications” industry and Skype had either not been invented or were in their infancy. Now they are exploding, taking us from connected to hyperconnected.*”



**1.13** Evidence of hyperconnectivity — a public phone booth with free public wi-fi access in Shanghai, China.

## QUESTION BANK 1A

1. Several definitions of globalisation are provided in the discussion on pages 9 to 18. Giving reasons, which definition do you prefer?
2. What is the difference between globalisation and global interactions?
3. Describe the viewpoints of global sceptics and globalists.

4. What are the different functions provided by countries in the core, the periphery and semi-periphery?
5. With reference to figure 1.11, describe the distribution of each of the three zones listed in the previous question. Name five countries in each zone.
6. Explain the difference between Sparke's Globalisation and globalisation.
7. What evidence is there that Globalisation is controversial?
8. What are the characteristics of neoliberalism?
9. Describe the policy of shock therapy.
10. Identify the three myths of globalisation, and explain why each is inconsistent or partially consistent with reality.
11. Describe the fundamental idea underpinning each of the four theories of globalisation.

## AT Kearney Index of Globalisation

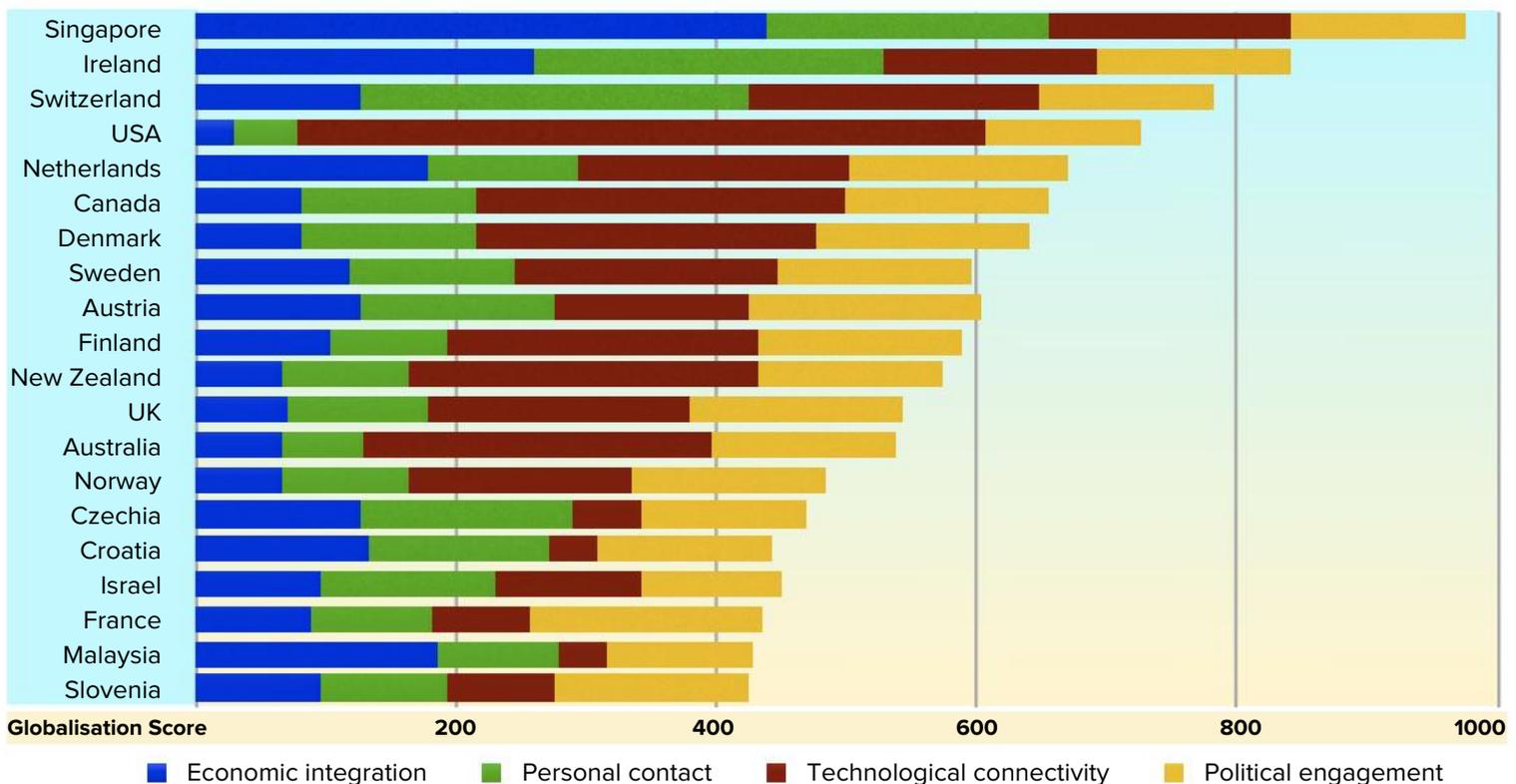
**AT Kearney** is a global management consulting firm that advises large corporations on international competitiveness. Founded in 1926, the company's headquarters is in Chicago (USA) and it has 60 offices in more than 40 countries in six continents. In conjunction with *Foreign Policy* magazine, AT Kearney publishes an annual Globalisation Index. The AT Kearney Globalisation Index assesses the extent to which the world's most populated countries are becoming more or less globally connected.

The AT Kearney Index analyses the 72 countries that account for 96% of the world's GDP and contain 84% of the world's population. **Twelve variables** are examined, divided into **four aspects** of globalisation:

- **political engagement**, including participation in treaties, organisations, and peacekeeping
- **technological connectivity**, including the number of internet users, hosts, and secure servers
- **personal contact**, including telephone, travel and remittances
- **economic integration**, including international trade and foreign direct investment

## Globalisation indices

**Measuring** globalisation is more difficult than describing it. Three significant attempts that have been made to quantify globalisation are the **AT Kearney Index**, the **KOF Index of Globalisation** and the **Maastricht Globalisation Index**. Each of these indices has different aims, different focus areas and different strengths and weaknesses.



1.14 The 20 most globalised nations according to the AT Kearney Index (2016).



**1.15** Singapore is the world's most globalised nation according to the AT Kearney Index of Globalisation. Singapore's international links can be illustrated by this large international school that has about 5,400 students from 76 countries on two campuses.



**1.16** Advertising to promote national identity in Esfahan, Iran — the least globalised nation on the AT Kearney Index of Globalisation.

Figure 1.14 shows the 20 most globalised countries at the time according to the AT Kearney index. Figure 1.14 also provides some insight into the factors contributing to globalisation in different countries. For example, **Singapore** (the world's most globalised nation according to the index) scores strongly on all four factors, and especially on economic integration. The **United States** ranked fourth overall, but this was largely due to its high level of technological connectivity. In contrast, **Croatia** had a low level of technological connectivity but higher levels of economic integration, personal contact and political engagement than the US.

**Ghana** (not shown in figure 1.14 because it ranked 33rd overall) came second in the world's rankings

for political globalisation because of its high level of participation in treaties, peacekeeping, and international organisations, but lagged severely in technological connectivity.

**Table 1.1**

Weightings of the components of the KOF Index of Globalisation

Indices and Variables	Weights
<b>A. ECONOMIC GLOBALISATION</b>	<b>38%</b>
<b>i. Actual Flows</b>	50%
Trade (% of GDP)	19%
Foreign direct investment, flows (% of GDP)	20%
Foreign direct investment, stocks (% of GDP)	23%
Portfolio investment ((% of GDP)	17%
Income payments for foreign nationals (% of GDP)	21%
<b>ii. Restrictions</b>	50%
Hidden import barriers	21%
Mean tariff rate	29%
Taxes on international trade (% of current revenue)	25%
Capital account restrictions	25%
<b>B. SOCIAL GLOBALISATION</b>	<b>39%</b>
<b>i. Data on personal contact</b>	50%
Telephone traffic	26%
Transfers (% of GDP)	3%
International tourism	26%
Foreign population (% of total population)	20%
International letters (per capita)	26%
<b>ii. Data on information flows</b>	34%
Internet users (per 1,000 people)	36%
Televisions (per 1,000 people)	36%
Trade in newspapers (% of GDP)	28%
<b>iii. Data on cultural proximity</b>	32%
Number of McDonald's restaurants (per capita)	37%
Number of Ikea stores (per capita)	39%
Trade in books (% of GDP)	24%
<b>C. POLITICAL GLOBALISATION</b>	<b>23%</b>
Embassies in the country	25%
Membership in international organisations	28%
Participation in UN Security Council missions	22%
International treaties	25%

Source: Dreher, A, Gaston, N & Martens, P (2008) *Measuring Globalisation - Gauging its Consequence*, New York: Springer.

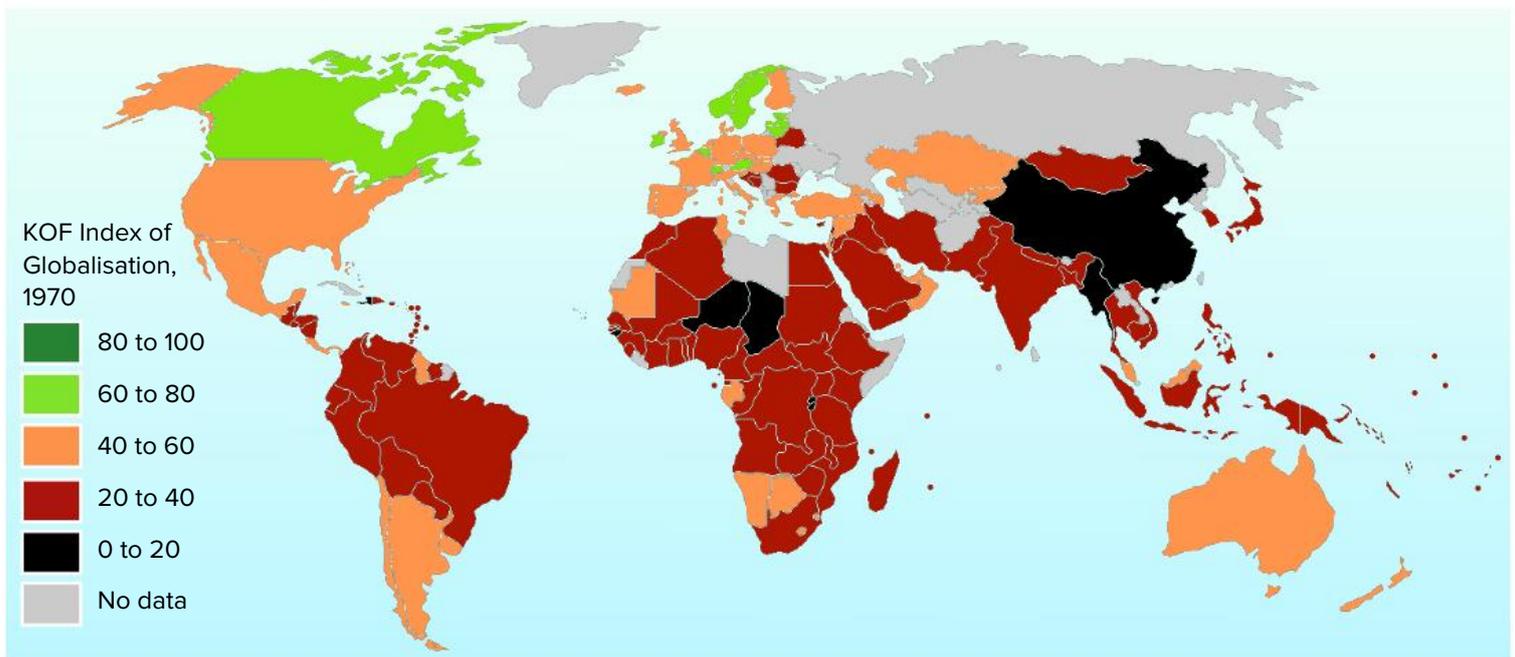
At the lower end of the scale, the **lowest five countries** in the AT Kearney survey were (from last to fifth last) Iran, India, Algeria, Indonesia, and Venezuela. This does not mean these countries were the least globalised in the world, simply that they were the least globalised among the 72 countries that were included in the survey.

## The KOF Index of Globalisation

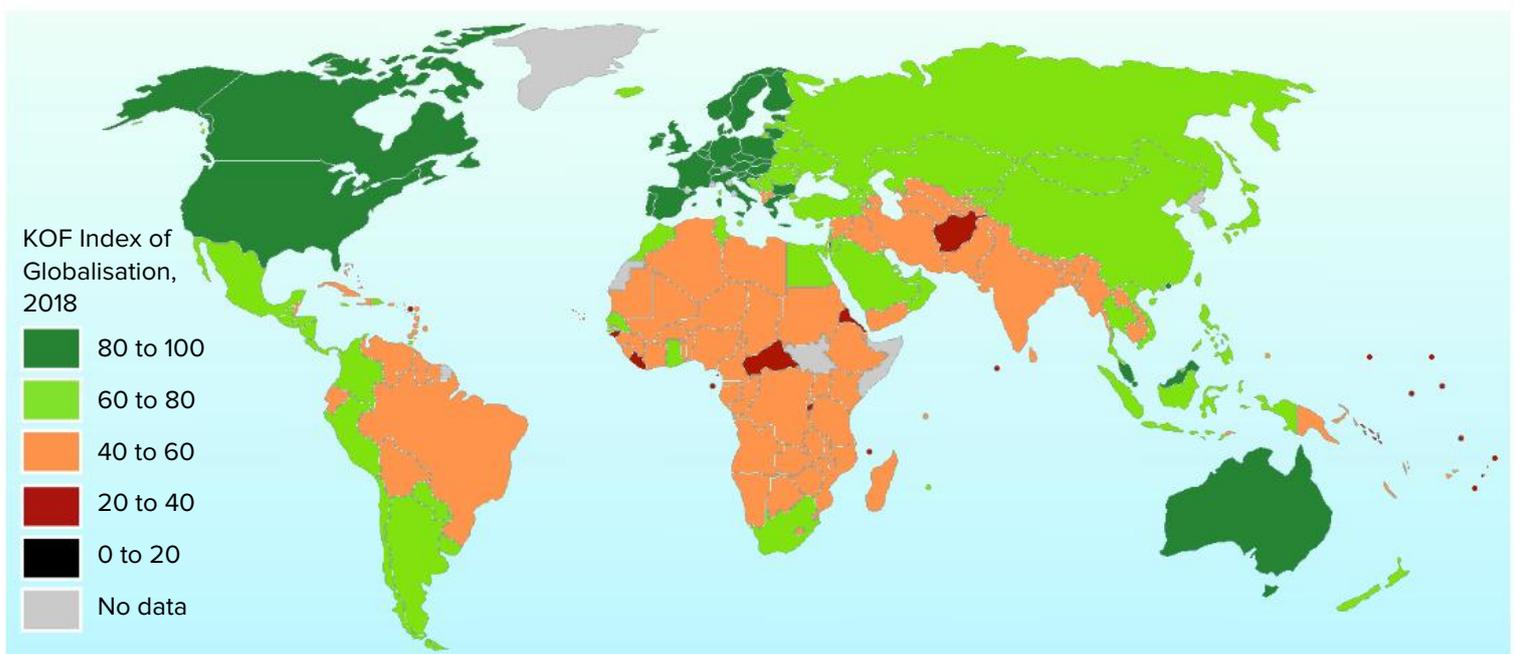
Another attempt to measure globalisation is the **KOF Index**, which was introduced in 2002 and refined in 2008. KOF is the Swiss Institute for Business Cycle Research, also known as Konjunkturforschungsstelle, a branch of ETH

(Eidgenössische Technische Hochschule, or the Swiss Federal Institute of Technology) in Zurich, Switzerland.

KOF **defines** globalisation as “the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods”. KOF then amplifies this by stating “Globalisation is conceptualised as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence.”



1.17 The world pattern of globalisation in 1970 according to the KOF Index of Globalisation.



1.18 The world pattern of globalisation in 2018 according to the KOF Index of Globalisation.

# Chapter 1 - Global interactions and global power

Table 1.2

Components of the KOF Index of Globalisation, 2016 - the top 40 and bottom 10 countries

Rank	Country	Index of Globalisation	Country	Economic Globalisation	Country	Social Globalisation	Country	Political Globalisation
1	Netherlands	91.70	Singapore	96.06	Austria	91.30	Italy	97.53
2	Ireland	91.64	Ireland	93.08	Singapore	91.15	France	97.29
3	Belgium	90.51	Luxembourg	91.80	Switzerland	91.10	Belgium	96.51
4	Austria	89.83	Netherlands	90.89	Ireland	90.98	Austria	96.37
5	Switzerland	87.01	Malta	90.28	Netherlands	90.77	Spain	95.99
6	Singapore	86.93	UAE	88.39	Belgium	90.45	United Kingdom	94.95
7	Denmark	86.44	Hungary	86.85	Puerto Rico	90.36	Sweden	94.65
8	Sweden	85.92	Estonia	86.11	Canada	89.26	Brazil	94.31
9	Hungary	85.78	Belgium	85.95	Cyprus	88.21	Netherlands	94.01
10	Canada	85.67	Bahrain	85.51	Denmark	87.29	Switzerland	93.41
11	Finland	85.47	Mauritius	85.23	France	87.14	Canada	93.17
12	Portugal	85.08	Slovakia	83.63	United Kingdom	86.08	Egypt	93.01
13	Norway	84.24	Austria	83.25	Portugal	85.59	Argentina	92.88
14	Cyprus	84.07	Cyprus	83.11	Norway	85.49	Turkey	92.53
15	Spain	83.73	Czechia	82.89	Sweden	84.63	Norway	92.26
16	Slovakia	83.62	Georgia	82.56	Germany	84.53	United States	92.19
17	Czechia	83.60	Finland	82.23	Finland	83.84	Denmark	92.12
18	Luxembourg	83.55	Malaysia	81.46	Australia	83.43	Russia	92.10
19	France	82.61	Portugal	81.35	Spain	83.23	Greece	92.05
20	United Kingdom	81.97	Denmark	81.17	Slovakia	82.63	Germany	91.94
21	Australia	81.93	New Zealand	81.05	Czechia	82.40	Finland	91.89
22	Greece	80.40	Panama	80.87	Lithuania	80.89	India	91.78
23	Poland	79.90	Latvia	80.79	Hungary	80.79	Hungary	91.19
24	Italy	79.59	Sweden	80.56	Greece	80.43	Nigeria	90.72
25	Malaysia	79.14	Brunei	79.33	Qatar	79.54	Ireland	90.69
26	Estonia	78.46	Oman	79.23	UAE	79.52	Australia	90.64
27	Germany	78.24	Switzerland	77.78	Kuwait	79.40	South Korea	90.14
28	New Zealand	78.15	Chile	77.42	United States	79.15	Romania	90.05
29	Lithuania	77.26	Qatar	77.22	Liechtenstein	79.03	Morocco	89.82
30	Bulgaria	77.16	Bulgaria	77.02	Luxembourg	78.73	Japan	89.41
31	Qatar	77.04	Norway	76.76	Italy	78.40	Poland	89.37
32	Slovenia	76.24	Montenegro	76.37	Israel	77.70	Portugal	89.21
33	UAE	75.92	Seychelles	76.16	Andorra	77.57	Chile	88.96
34	United States	75.71	Canada	76.12	Poland	76.92	Pakistan	88.64
35	Croatia	75.59	Trinidad & Tobago	75.97	Monaco	76.83	Senegal	88.15
36	Romania	75.09	Poland	75.72	Saudi Arabia	75.90	Indonesia	87.34
37	Malta	75.04	Lithuania	75.48	Malta	75.22	South Africa	87.27
38	Israel	72.81	Spain	74.80	New Zealand	73.81	Jordan	86.61
39	Chile	71.18	Iceland	74.56	Malaysia	73.81	Peru	86.57
40	Latvia	70.97	Slovenia	74.37	Estonia	73.58	Tunisia	86.52
10th lowest	Sao Tome Principe	32.25	Tanzania	36.64	Chad	20.40	Cayman Islands	3.18
9th lowest	Cayman Islands	32.18	Afghanistan	36.33	Burundi	19.90	Puerto Rico	3.18
8th lowest	Burundi	31.87	Guinea-Bissau	35.86	Sudan	18.63	French Polynesia	2.63
7th lowest	Tonga	31.12	Bangladesh	35.82	Tanzania	18.07	Greenland	2.63
6th lowest	Comoros	30.71	Argentina	34.49	Somalia	18.04	Guam	2.63
5th lowest	Laos	30.38	Sudan	34.39	Cent. African Rep.	17.50	New Caledonia	2.63
4th lowest	Micronesia	27.99	Nepal	30.37	Afghanistan	17.46	Virgin Islands	2.09
3rd lowest	Equatorial Guinea	27.22	Iran	29.88	Ethiopia	16.11	N. Mariana Islands	1.54
2nd lowest	Eritrea	26.47	Ethiopia	27.20	Myanmar	15.77	Isle of Man	1.27
Lowest	Solomon Islands	25.10	Burundi	22.23	Congo DR	15.46	Channel Islands	1.00

Source: KOF.

Using this foundation, KOF examines 207 countries and territories with respect to **three facets** of globalisation: **economic** globalisation, **political** globalisation and **social** globalisation. The components of each of these three facets of globalisation, together with the weightings that KOF gives to each, are shown in table 1.2.

To construct its Index of Globalisation, KOF transforms each of the variables in table 1.1 into an index using a **scale of 1 to 100**, where 100 is the maximum value for a specific variable during the period since 1970, and 1 is the minimum value for the same period. Higher values indicate a greater degree of globalisation in that country.

KOF's analysis shows that the world has become **more globalised** in the period since 1970 (compare figures 1.17 and 1.18). According to the KOF Index of Globalisation, the world's most globalised country in 2016 was the Netherlands, with a score of 91.70, followed by Ireland (91.64), Belgium (90.51) and Austria (89.83). The least globalised countries according to the KOF Index are Solomon Islands (25.10), Eritrea (26.47), Equatorial Guinea (27.22), Micronesia (27.99) and Laos (30.38).

Table 1.2 shows the top 40 and bottom 10 countries according to each component of the KOF Index of Globalisation. This shows that most countries have particular strengths and weaknesses in their global linkages, and only a few (such as the Netherlands, Belgium and Austria) have strong global linkages in the three component areas of economic, social and political links.

## The Maastricht Globalisation Index

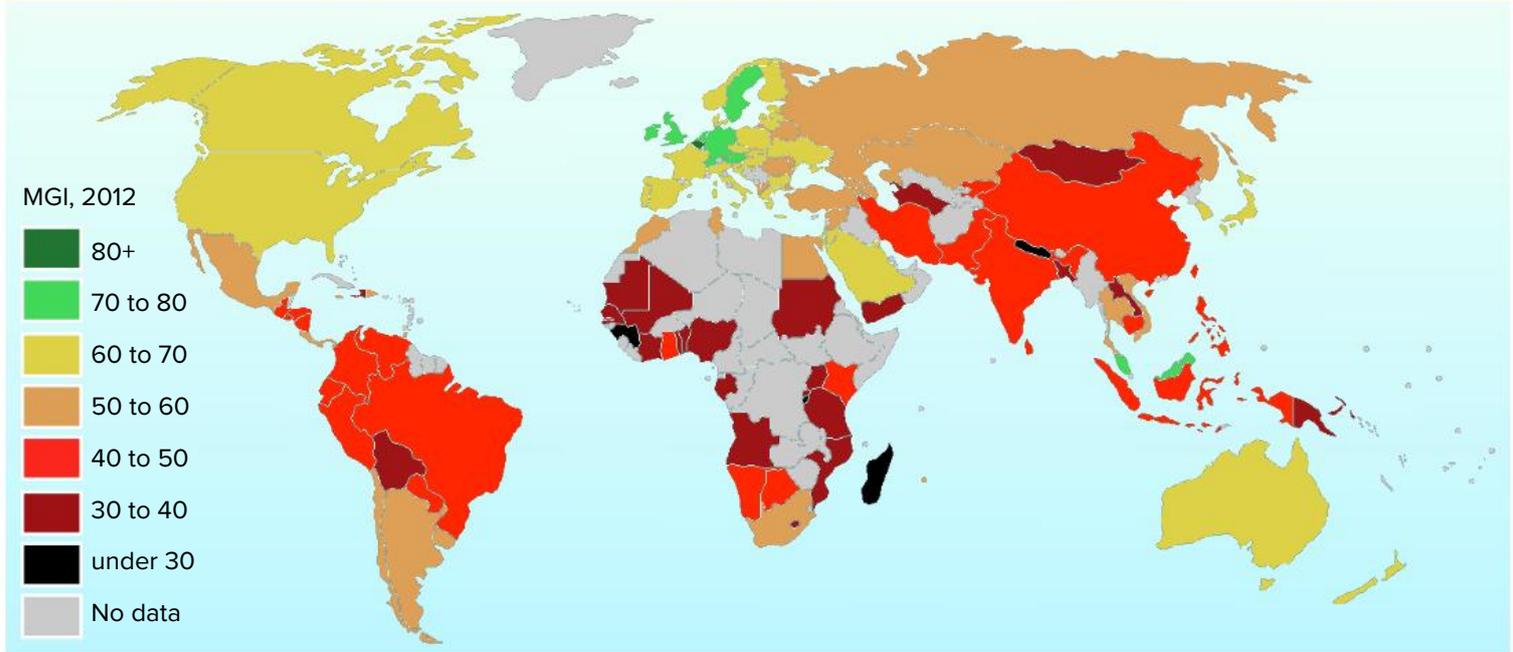
Both the AT Kearney and KOF Indices have a strong **neo-liberal focus** that emphasises the economic dimension of Globalisation. Even when these indices look at non-economic factors, they do so in terms of their relationship to economic wealth and development. This is understandable as these indicators were developed with the aim of providing corporations involved in international business with information on the investment climate in different countries, government policies towards economic growth and how 'business-friendly' various countries are compared to each other.

**Table 1.3**  
Components of the Maastricht Globalisation Index

Domain	Indicator	Weight	Definition
Political	Embassies	1/15	Absolute number of in-country embassies and high commissions
	Organisations	1/15	Absolute number of memberships in international organisations
	Military	1/15	Trade in conventional arms as a share of military spending
Economic	Trade	1/15	Imports + exports of goods and services as a share of GDP
	FDI	1/15	Gross foreign direct investment as % of GDP
	Capital	1/15	Absolute value of net private capital flows as % of GDP
Social and cultural	Migrants	1/10	International migrant stock as a share of population
	Tourism	1/10	International arrivals and departures per 100 inhabitants
Technological	Cell phones	1/10	Mobile cellular subscriptions per 100 inhabitants
	Internet	1/10	Internet users as a share of population
Environmental	Eco footprint	1/5	Ecological footprint of imports and exports as a share of biocapacity

Source: Lukas Figge & Pim Martens (2014) Globalisation Continues: The Maastricht Globalisation Index Revisited and Updated, *Globalizations*, DOI: 10.1080/14747731.2014.887389.

To **counterbalance** the pro-neoliberal orientation of the AT Kearney and KOF indicators, the **Maastricht Globalisation Index (MGI)** was developed by a team of academic researchers at Maastricht University in the Netherlands during the period 2000 to 2014. Like the AT Kearney and KOF indices, the MGI is a **composite measure** of globalisation, but unlike the other indicators, it attempts to include economic, socio-cultural and ecological dimensions in a balanced manner. The MGI takes 11 variables in five domains into account, as shown in table 1.3. The MGI is **unique** among indices of globalisation by including the **environmental domain** and by including an indicator of the globalisation of the **military-industrial complex** of a country. The MGI thus aims to include coverage of **sustainable development** that other indices ignore.

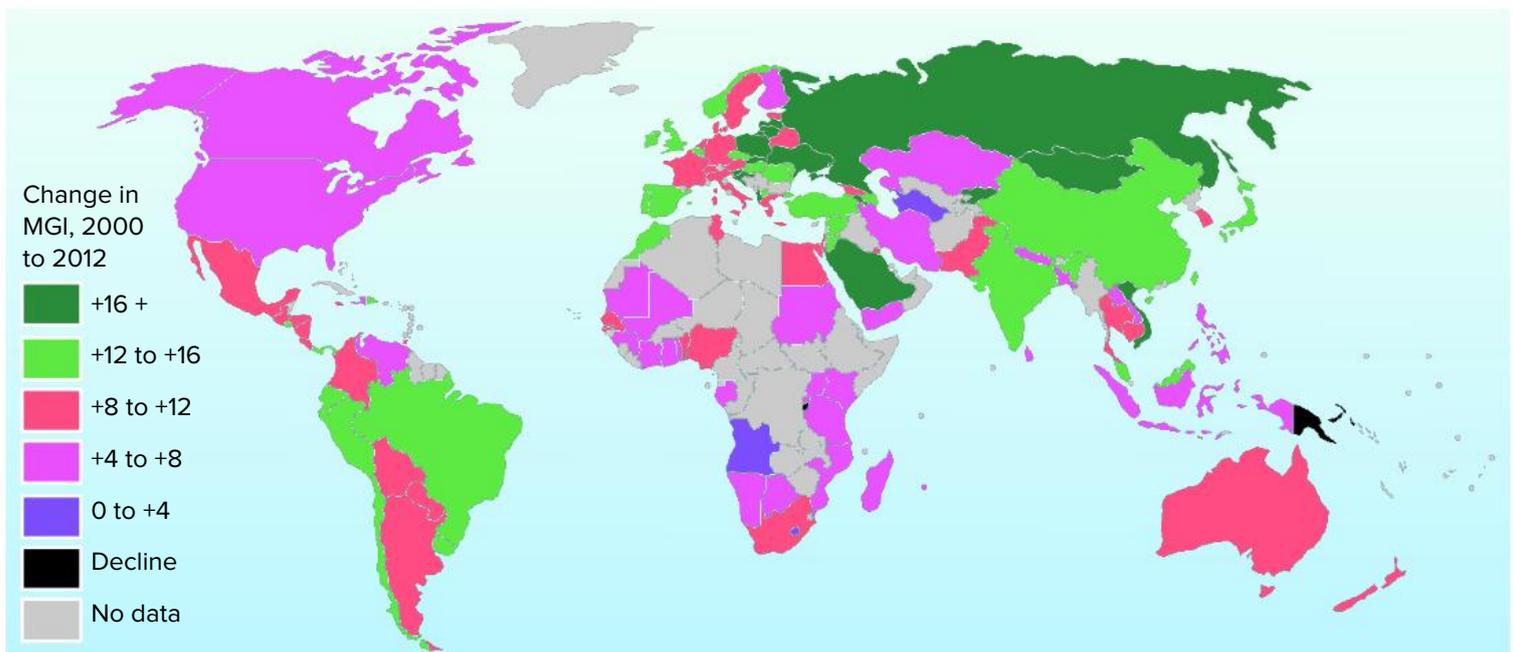


1.19 The world pattern of globalisation in 2012 according to the Maastricht Globalisation Index.

The MGI has been used by the Maastricht University researchers to analyse the world pattern of globalisation in 117 countries in 2000, 2008 and 2012. The latest world distribution of globalisation as measured by the MGI is shown in figure 1.19, while the changes in MGI since 2000 are shown in figure 1.20. On average, the MGI shows that **most countries** have become **more globalised** since 2000, with the mean MGI rising from 40.56 in 2000 to 51.19 in 2012. The most significant factor in raising the MGI was the **technological domain**, which increased from 1.89 to 9.08 between 2000 and 2012 as a result of the growth in mobile phone and internet access.

In 2012, the **most globalised** country in the world according to the MGI was Belgium, followed by the Netherlands, Switzerland, the United Kingdom, Austria and Germany. The most globalised countries were **concentrated** in Europe, although Malaysia and Jordan also scored highly in the MGI. The **least globalised** countries according to the MGI were Burundi, Madagascar, Nepal, Guinea, Mali, Angola and Turkmenistan.

It is important to note that the MGI, like the AT Kearney and KOF indices of globalisation, do not make any **judgement** as to whether globalisation is a positive or negative phenomenon. A higher degree of globalisation is not necessarily a positive



1.20 Changes in the Maastricht Globalisation Index from 2000 to 2012. Higher numbers indicate greater increases in globalisation.

attribute for a country. This is shown in the MGI where, for example, a high eco footprint increases the globalisation index but may reduce the **quality of life** for inhabitants and place considerable **pressure on ecosystems**. A high MGI indicates extensive **connectedness** with other countries, which can increase a country's **resilience** through trade, but can also increase a country's **dependence** on foreign-owned transnational corporations in the context of a neoliberal world economy.

## Evaluating the indices of globalisation

Each of the indices of globalisation has strengths and weaknesses that reflect their **intended purposes**. The **AT Kearney Index of Globalisation** is intended to serve corporate clients of AT Kearney (a global management consultancy firm) to analyse international investment opportunities and currency markets. Other proprietary indices of globalisation are used in the corporate world for similar purposes, including the **CSGR Globalisation Index** (developed by the Centre for the Study of Globalisation and regionalisation at the University of Warwick in the UK), and the **WMRC Index** (developed by the World Markets Research Centre, now part of the Global Insight subsidiary of the IHS Markit company based in London, UK). With their strong neoliberal economic focus, these indices **blur** any separation between globalisation and economic liberalisation.

On the other hand, most geographers believe that **culture** is also an important component of globalisation. The **MGI** attempts to include a cultural component in its measure of globalisation, while the **KOF Index of Globalisation** includes a Social Globalisation Index as one of its three components. The indicators that have been included in the KOF Social Globalisation Index are the number of McDonald's restaurants per capita, the number of Ikea outlets per capita and the number of books traded as a percentage of GDP.

The MGI is unique among indices of globalisation because it includes an **environmental component** in its analysis. The eco footprint makes up 20% of the MGI, which is the same as the weighting for each of the other four domains. The rationale for including an environmental component in the MGI is that since globalisation implies

interconnectedness and relationships, the environment (including pollution) cannot be excluded or treated separately from everything else that crosses international borders.

A **criticism** of the MGI is that it measures **internationalisation** rather than **globalisation**. In other words, it focuses on exchanges across borders rather than exchanges that are truly global in scale. The fact that many of the highest scoring countries according to the MGI are within Europe reinforces this impression that international exchanges on a regional basis are sufficient to raise the index figure. In fact, this is arguably a weakness of all the indices of globalisation, as none of the indices distinguishes clearly between internationalisation and globalisation.



**1.21** There is a considerable volume of traffic crossing between Benin and Togo at the border point here at Hillacondji. However, this movement reflects international linkages, not links at a global scale, or the process of globalisation.

Another **weakness** of the indices of globalisation is that they tend to measure only factors that are **easy to measure**, whereas many of the truly significant impacts of globalisation are those which are difficult to quantify. Examples of factors that are significant but **difficult to quantify** include transboundary environmental issues, cultural transformations and the rise of what is termed 'global consciousness'.

To a large extent, the shortcomings of all indices of globalisation reflects their lack of a **clear understanding** of what globalisation is. Is it purely an economic phenomenon? Is it mainly the cultural and lifestyle changes that arise through outside contact? Is it the total set of all global interactions, and if so, what are the relative weightings of

# Chapter 1 - Global interactions and global power

Table 1.4

Evaluation of selected indices of globalisation according to the criteria for good composite indicators

Category	Sub-category	AT Kearney Index of Globalisation	KOF Index of Globalisation	Maastricht Globalisation Index
<b>Relevance</b>	Definition of globalisation used	Medium	Very broad	Very broad
	Differentiation of globalisation from internationalisation	No differentiation	No differentiation	No differentiation
	Type of change measured	Extent and intensity	Extent and intensity	Extent and intensity
	Geographical adjustment	No	No	Yes
	Coverage	72 countries	122 countries	117 countries
	Correlation with economic development	High	High	High
<b>Robustness</b>	Sensitivity to extreme values	High (cross-panel normalisation)	Low	Low
	Sensitivity to year-to-year data variations	High (some indicators with lower fluctuation)	High (some indicators with lower fluctuation)	Low (indicators with high fluctuations are averaged)
	Method for determining weightings	A priori, with normative discussion	Principal components analysis	Equal weightings
	Weight distortion	Some distortion	Some distortion	No distortion
<b>Added value</b>	Correlation with its own components	Low	Some	Some
	Correlation among components	Not published	Moderate	Moderate
<b>Transparency</b>	Transparency of methodology	High	High	High
	Data published	Yes	Yes	Yes

Source: Axel Drener, Noel Gaston, Pim Martens & Lotte Van Boxem (2010) Measuring Globalisation – Opening the Black Box. A Critical Analysis of Globalisation Indices, *Journal of Globalization Studies*, 1(1).

different components? These and other questions lead some researchers to ask an even larger question – is globalisation something that is able to be measured at all?

## QUESTION BANK 1B

1. Compare the factors that are used to measure globalisation in the AT Kearney, KOF and Maastricht Indices of Globalisation.
2. With reference to figure 1.14, describe the extent of globalisation and its composition in three countries with different characteristics.
3. Describe the changing pattern of globalisation since 1970 as shown by the KOF Index of Globalisation in figures 1.17 and 1.18.

4. Outline the unique features of the MGI.
5. Compare and contrast the world distribution of globalisation as shown by the KOF Index in figure 1.18 and the pattern shown by the MGI in figure 1.19.
6. Describe the distribution of (a) accelerating globalisation, and (b) slowing and declining globalisation as shown by the MGI in figure 1.20.
7. Explain the difference between internationalisation and globalisation.
8. Which of the three indices of globalisation – AT Kearney, KOF and MGI – do you consider is most useful? Give reasons to support your answer.
9. In your opinion, is measuring globalisation (a) useful, (b) realistic, and (c) possible? Give reasons to support your answer.

## Global superpowers

In the long history of globalisation, there have been periods where one country, or a few countries, have exercised **global power**, or **hegemony**, over other countries, dominating them politically, militarily, economically and culturally. The rise and fall of these powerful countries is known as **world leadership cycles**, which are periods of power established by individual nation-states through economic, political and military competition.

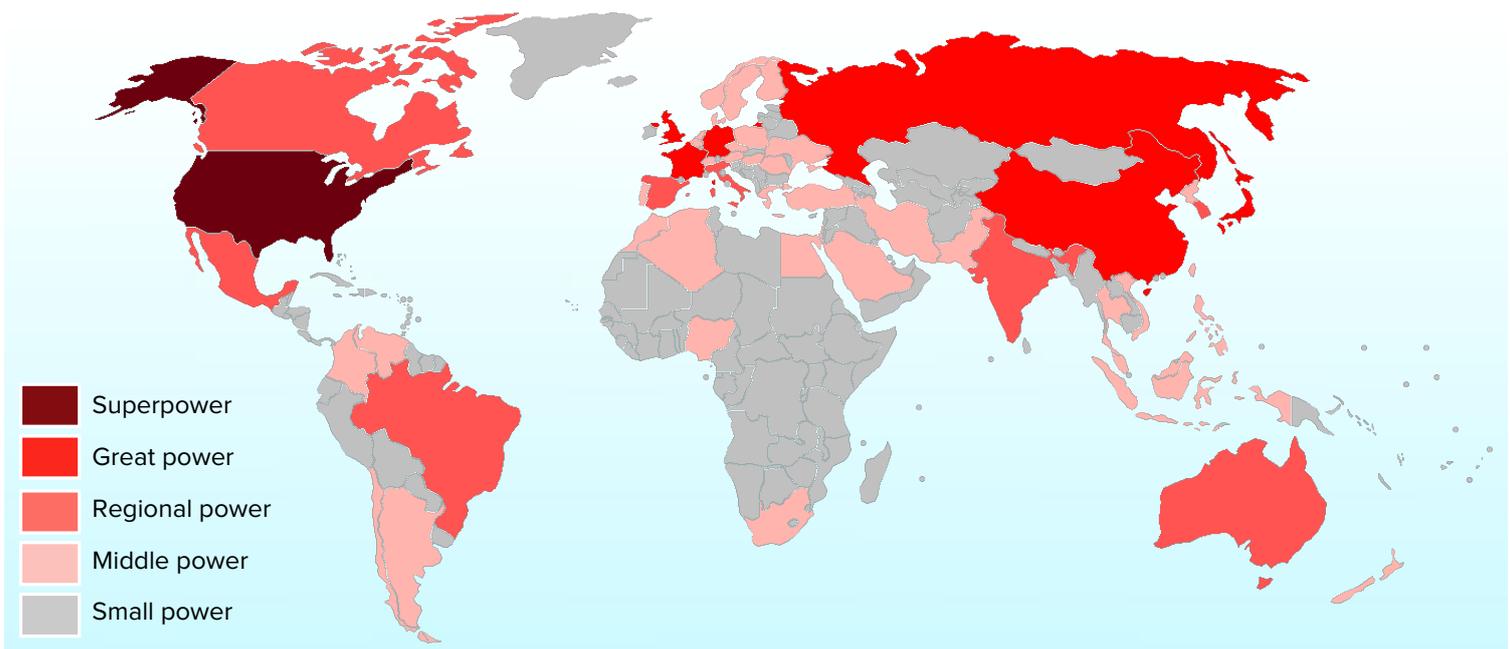
The modern world system has experienced several distinct leadership cycles:

- Dominance of Portugal throughout the 1500s.
- Dominance by the Netherlands during the first three-quarters of the 1600s.
- British influence from the early 1700s, increasing through the 1800s before declining in the mid-1900s.
- The USA and the USSR (as rivals) from the mid-1950s until the early 1990s, when the USA emerged as the dominant power.

In the mid-1920s, the word **superpower** emerged to define an extremely powerful country, especially one that was capable of influencing international events, as well as the policies and practices of less powerful countries. The word gained popularity in the period following World War II when two superpowers – the United States and the Soviet Union – competed for dominance in global politics.

The bipolar superpower rivalry between the USA and USSR was an **ideological battle** between **capitalism** and **socialism** that involved a massive build-up of arms, including nuclear weapons, as the two nations competed to become the dominant superpower. The United States assembled a network of allied countries, mainly through **NATO** (the North Atlantic Treaty Organisation), which had as one of its fundamental principles that an attack on one NATO member was an attack on all members. The Soviet Union felt encircled by the US and its NATO allies, so it established a buffer zone of so-called satellite states with communist governments across Eastern Europe. The USSR formed its own military treaty network as a balance to NATO called the **Warsaw Pact**, and an economic co-operation zone that included essentially the same countries called **COMECON**.

There were some significant **flash points** in the US-Soviet rivalry, notably the Berlin Airlift in 1948 and the Cuban Missile Crisis in 1962, but the two superpowers never engaged in direct military operations against each other. Instead, military conflict was handled through several **regional conflicts** such as the Korean War (1950-1953) and the Vietnam War (1961-1975). The military balance was maintained through **nuclear deterrence** known as MAD (mutually assured destruction) in which both superpowers knew that an attack on the other would result in such large-scale retaliation that it would destroy both countries, and arguably all life on the planet. As the two superpowers never



1.22 The world power structure today.



**1.23** During the period when the Communist Party was in control of the USSR, socialist urban planning was deliberately grand in scale to create monumental structures considered worthy of a superpower. This view of Moscow during the Soviet era shows VDNKh, the Exhibition of National Economic Achievements. The huge slogan in yellow letters on red background along the approach road reads 'Glory to labour'.

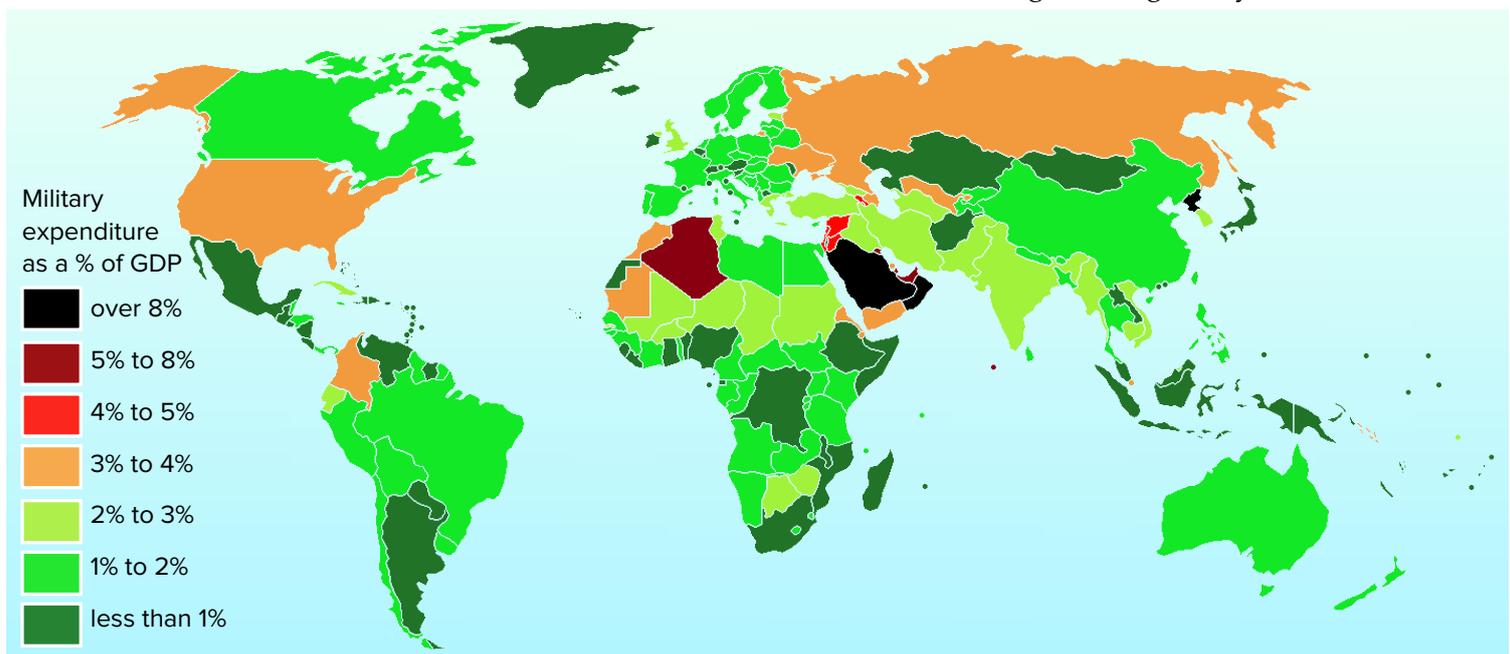
engaged in direct conflict, the period from 1947 to 1989 was known as the **Cold War**.

During the Cold War, both superpowers competed for power and prestige. The **space race**, in which the US and USSR competed to be the first nation to send humans to the moon and back, was one example of the propaganda competition between the two superpowers. The superpowers also competed for influence among the less economically developed countries of the world by handing out vast sums in **aid funding** to countries that were willing to commit to one side or the other.

With the collapse of the USSR in late 1991, the USA emerged as the world's dominant superpower, and what had been a **bipolar** world power structure became **unipolar**.

Within a decade of the collapse of the USSR, the power vacuum created was being filled by other rising powers, and some commentators now refer to the world's power structure as **uni-multipolar**. A uni-multipolar power structure is one where there is a single dominant superpower, but several other emerging superpowers are challenging the main superpower's dominance. As time goes on, this inherently unstable structure is likely to give way to a **multipolar** world power structure as great powers such as China, Russia and the European Union vie to become superpowers. In a truly multipolar world, the term 'superpower' would become largely irrelevant.

Although countries gain superpower status primarily through **military** and **diplomatic** influence, superpowers also exert significant international influence over other countries through **economic** means such as investment, corporate influence and foreign aid, and through **technological** and **cultural** means. Therefore, in the words of the Stanford University researcher and author Alice Lyman Miller, a superpower can be defined as "a country that has the capacity to project dominating power and influence anywhere in the world, and sometimes, in more than one region of the globe at a time, and so may plausibly attain the status of global hegemony".



**1.24** Military expenditure as a percentage of Gross Domestic Product, 2018. Drawn from data in the CIA World Factbook.

## CASE STUDY United States of America

Following the collapse of the USSR at the end of 1991, the United States of America has been widely regarded as the world's **sole superpower**, initiating a period of **unipolar** world power structure. Since the fall of communism in Europe, the United States has expanded its global military and economic presence while its potential rivals, Russia and Japan, have stagnated or declined. Throughout the 1990s, the US acted globally as though it had the military power to resolve important international issues single-handedly.

Some commentators called this approach **Pax Americana**, referring to the period of relative peace in the Western hemisphere that resulted from the superiority of American power and influence. Anti-US critics reacted by referring to '**pox americana**', calling US behaviour **hegemonic**, and likening US policies to a pox-like period of imperialism.

The period of Pax Americana changed dramatically following the terrorist attacks on several buildings in New York and Washington DC in September 2001 (the so-called '9/11 attacks'). The attacks resulted in about 3,000 deaths and a slowdown of the US economy, provoking significant **military responses** by the US in Afghanistan, Iraq and elsewhere that further drained US economic vitality.

Nonetheless, the US remains the world's dominant **military superpower**. Its spending on defence is greater than the combined spending on defence by the next seven countries – China, Saudi Arabia, Russia, the United Kingdom, India, France, and Japan – and represents about 40% of the world's total military spending. The US possesses overwhelming nuclear superiority, it has the world's dominant air force, the world's only navy that is capable of undertaking global operations.

**US military equipment** is regarded as very high quality, which increases its effectiveness beyond raw numbers. Furthermore, the US possesses a lead over most other countries in the areas of encryption technology, cyber-warfare, stealth technology, drone weaponry, 'smart' missile guidance systems, advanced communications and information technology. The US spends three times



1.25 A US Navy strike-fighter in a desert location.

more on military **research and development (R&D)** than the next six countries combined; to place this in perspective, the US spends as much on military R&D as Germany or the United Kingdom spends on defence in total.

The United States has a unique ability to **project its power** around the world. Although there are no foreign military bases in the United States, the US maintains about 800 military bases in some 150 foreign countries. The United States is also the world's largest **exporter of military equipment** and weapons, delivering weapons to some 95 countries that are acknowledged publicly.



1.26 A nationalistic show of support for American troops on duty overseas is seen here as part of a parade in Houston, Texas, USA. The US has military forces stationed in most parts of the world as an expression of its status as a global superpower.

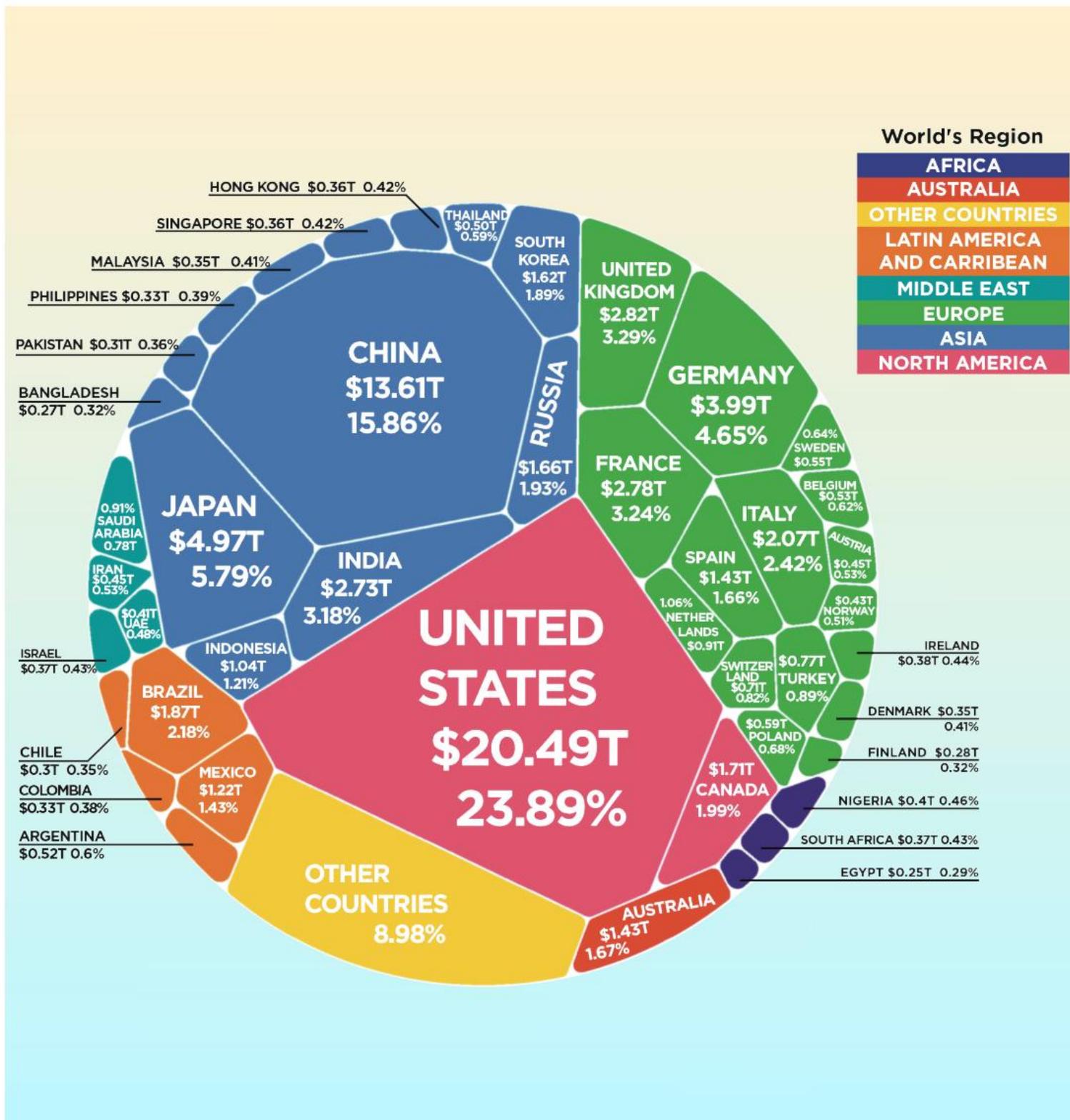
The United States' influence as a superpower stems from its **economic importance** as well as military power, and so is sometimes referred to as an **economic superpower**. The US economy is the world's largest, and represents about 23% of the

# Chapter 1 - Global interactions and global power

global Gross Domestic Product. By early 2017, the size of the US economy had grown to US\$18 trillion, and was projected to reach US\$20 trillion by 2020. These figures mean the size of US economy is about the same as the next three largest economies – China, Japan and Germany – combined. If the US state of California were a country, its economy would be the world’s sixth largest in size behind

the United States, China, Japan, Germany and the United Kingdom.

Figure 1.27 is an **infographic** that illustrates the relative size of the US economy to other economies around the world. The infographic is a Voroni diagram that represents the size of each economy by an area that is proportional to its GDP. Each area is divided into three areas to show the



1.27 Relationship between the US economy and other national economies, 2018, highlighting its role as an economic superpower. Source: World Development Indicators database, World Bank.

proportion of each economy that is derived from agriculture, industry (manufacturing) and services. In addition to demonstrating that the US is the world's largest economy, the diagram shows that about 80% of US economic activity is produced by services; this compares with a global average of 64%. In the US economy, manufacturing industry produces 19% of wealth while agriculture produces just 1%; this compares with global averages of 30% and 6% respectively.

The United States' position as an economic superpower is reinforced by the dominant position of the **US dollar** as an international trading currency. More international transactions are quoted in US dollars than any other currency, and it is the most commonly held currency by countries around the world for their foreign reserves. Indeed, more US dollar banknotes are held and used outside the United States than within.

Furthermore, some countries such as Ecuador, Panama and Palau use the US dollar as their official currency, while other countries such as Zimbabwe, Cambodia and the Dominican Republic use the US dollar as a de facto official currency because of their own currencies' weakness or instability. Many other countries such as Hong Kong, Venezuela, Saudi Arabia and Eritrea peg the exchange rates of their own currencies to the US dollar.

US economic strength derives to some extent from its **natural resource production**. The US is the world's third largest oil producer and producer of natural gas. The US is also referred to as a



**1.28** The US Air Force Museum in Dayton, Ohio, celebrates the history and power of the USAF. This exhibit shows a thermonuclear bomb in front of a photo of a nuclear bomb detonation, beside a B-36 bomber. The US is the only country to have dropped nuclear bombs on another country during wartime.



**1.29** Evidence of US global diplomacy and military intervention — this statue of former President Bill Clinton was erected in Priština, Kosovo's capital city, as an expression of Kosovo's appreciation for US and NATO military assistance in its fight for independence from Serbia during 1998 to 1999.

**technological superpower** because of the global influence of technology companies such as Apple, Microsoft, Facebook, Google and Amazon, all of which are US-based. The US is the world's second largest **manufacturing** nation (after China), producing about 20% of the world's manufactured goods. Of the world's 500 largest **companies**, 128 have headquarters in the United States. US economic influence is further strengthened by the presence of large **stock exchanges**; the New York Stock Exchange is by far the world's largest in terms of the value of shares traded and the capitalisation of the companies listed.

Finally, the United States is also considered to be a **cultural superpower** because of the impact it has around the world through television programs, movies and news organisations. US media productions have been credited with shifting cultural opinions among people around the world, usually towards a more pro-US viewpoint but sometimes against. This process is known as **soft diplomacy**, and has accelerated with the development of internet-based video and podcasts.

The importation by non-Americans of products, images, technologies and practices that are closely associated with the United States is known as the process of **Americanisation**. In the minds of many people, Americanisation is closely related to the process of globalisation, and indeed the former US Secretary of State, Henry Kissinger, stated in 1999 that *"globalisation is really another name for the dominant role of the United States"*.

## CASE STUDY China

Although the United States is unquestionably the world's dominant superpower, its pre-eminent position is being increasingly challenged by countries such as Russia, China, the European Union, India and Brazil; countries that are referred to as **potential superpowers**. Of the potential future superpowers, the most strongly placed is **China** because of the size of its **economy** (the second largest in the world), its **population** size (the world's largest) and its increasing **military power**. China is already regarded as an **economic superpower**, but it is increasingly referred to as an **emerging superpower** because of its global influence.

Before the Communist Party came to power in China in 1949, China was a weak, impoverished, divided country known as 'the sick man of Asia'. China had suffered from decades of civil war between the communists and the nationalists (also called the Kuomintang), and had been devastated by fierce fighting during the Japanese invasion from 1937 to 1945. In the years following the Communist rise to power in 1949, extreme shifts in policy and destructive political campaigns such as the Great Leap Forward (1958 to 1962) and the Cultural Revolution (1966 to 1976) **suppressed innovation and initiative**, keeping the population in a constant state of **near-poverty**.

The situation changed following the death of the leader, Mao Zedong, in 1976, especially after a more

pragmatic leader, Deng Xiaoping, came to power in 1978. Unlike Mao Zedong, who insisted that a narrow, dogmatic form of revolutionary communism should be implemented, Deng Xiaoping encouraged **pragmatic economic reforms** that unleashed the built-up energy of China and its people. Deng's policy was called 'socialism with Chinese characteristics', which in reality meant **market capitalism**.

China's wealth, power and influence began to grow with the introduction of these reforms, and for the next 30 years, China's rate of **economic growth** was the fastest in the world. This growth funded the modernisation of China's military forces, and provided the funds to invest heavily in agricultural and manufacturing projects overseas, initially in Africa but later in high-income countries such as the United States, Australia and Germany. Chinese **acquisitions** of large, Western companies further expanded China's growing role as a global economic superpower, with purchases such as:

- Lenovo's acquisition of IBM Thinkpad in 2005.
- China PingAn's acquisition of Fortis Insurance in 2007.
- Geely's acquisition of Volvo in 2010.
- Hainan Airlines' acquisition of NH Hotels in 2011.
- Dalian Wanda's acquisition of AMC Entertainment Holdings in 2012.
- China Investment Fund's acquisition of 80% of International Lease Finance in 2012.
- Fuxing's acquisition of ClubMed in 2013.
- Lenovo's acquisition of Motorola in 2014.
- China National Chemical Corporation's acquisition of Syngenta in 2016.
- Hainan Airlines' acquisition of 25% of Hilton Hotels in 2016
- Anbang's acquisition of Starwood Hotels in 2016.
- Qingdao Haier's acquisition of General Electric Appliances in 2016.

As figure 1.27 shows, China has the world's **second largest economy**, and it is expanding rapidly. The **structure** of China's economy has an almost even balance between the contributions made by manufacturing industry and services (each comprising about 45% of the economy, although the



**1.30** A mobile missile launcher of the People's Liberation Army drives through the streets of Beijing, a symbol of China's growing military power.

service sector is growing more rapidly), with agriculture making up the remaining 9%.

Unlike the United States, China's status as an emerging superpower is based more on **economic influence** than **military power**. The quality of Chinese **manufactured goods** is increasingly sophisticated (as seen by the fact that many of the world's mobile phones, tablets and computers are manufactured there), and the cost is low compared with products made in countries where wages and incomes are higher. The promise of high quality, low cost manufactured goods is very appealing to people, companies and governments in low-income and middle-income countries, and this gives China considerable global **prestige** and **influence**. The retreat of the United States from several proposed international trade agreements since Donald Trump began his term as President in 2017 has also served to raise China's profile and influence as it fills the vacuum being left by the United States.



**1.31** An example of a Chinese hi-tech export — this AVIC MA-60 airliner was made in the Chinese city of Xi'an and exported to Laos for use by Lao Airlines, the country's national airline (seen here at Luang Prabang Airport).

China had a long history of superpower status from the ancient Han Dynasty (206BC-AD220) through to the mid-Qing Dynasty in the 1800s. During the Mongol Dynasty, China's empire stretched across Asia and into Europe as far west as Hungary. It could be said that China's natural state is as a **superpower**, and the last 150 years or so is an aberration. China has a long and ancient history of rivalry with Japan, and recent expansion of China's military forces reflects its dissatisfaction with the current balance of power in which the US backs Japan militarily. China's regional ambition is therefore to be more influential than Japan through

South-east Asia, in Korea, in the disputed areas of the South China Sea, and in the South-west Pacific.

This ambition has brought China face-to-face with the United States' considerable military and economic interests in East and South-east Asia. China has modernised its army, navy and air force to support its strategic interests, although Chinese armed forces are far smaller than those of the United States. Nonetheless, China now has its first aircraft carrier, a strong fleet of diesel and nuclear powered submarines, one of the world's largest air forces, and over 50 intercontinental ballistic missiles.

A **military superpower** is a country that can project its power around the world to defeat or dominate another country, and although China may already be an **economic superpower**, it could not yet be classified as a military superpower. This view of China's military prowess is reinforced by the fact that unlike the United States, China has not engaged in armed conflict with another country since 1979, and it has just one military base in a foreign country – a 'military supporting facility' established in Djibouti in 2016. Many analysts believe that China's ambition is to be a **regional military power** rather than a global superpower, although no-one knows China's long-term strategy with certainty.

### QUESTION BANK 1C

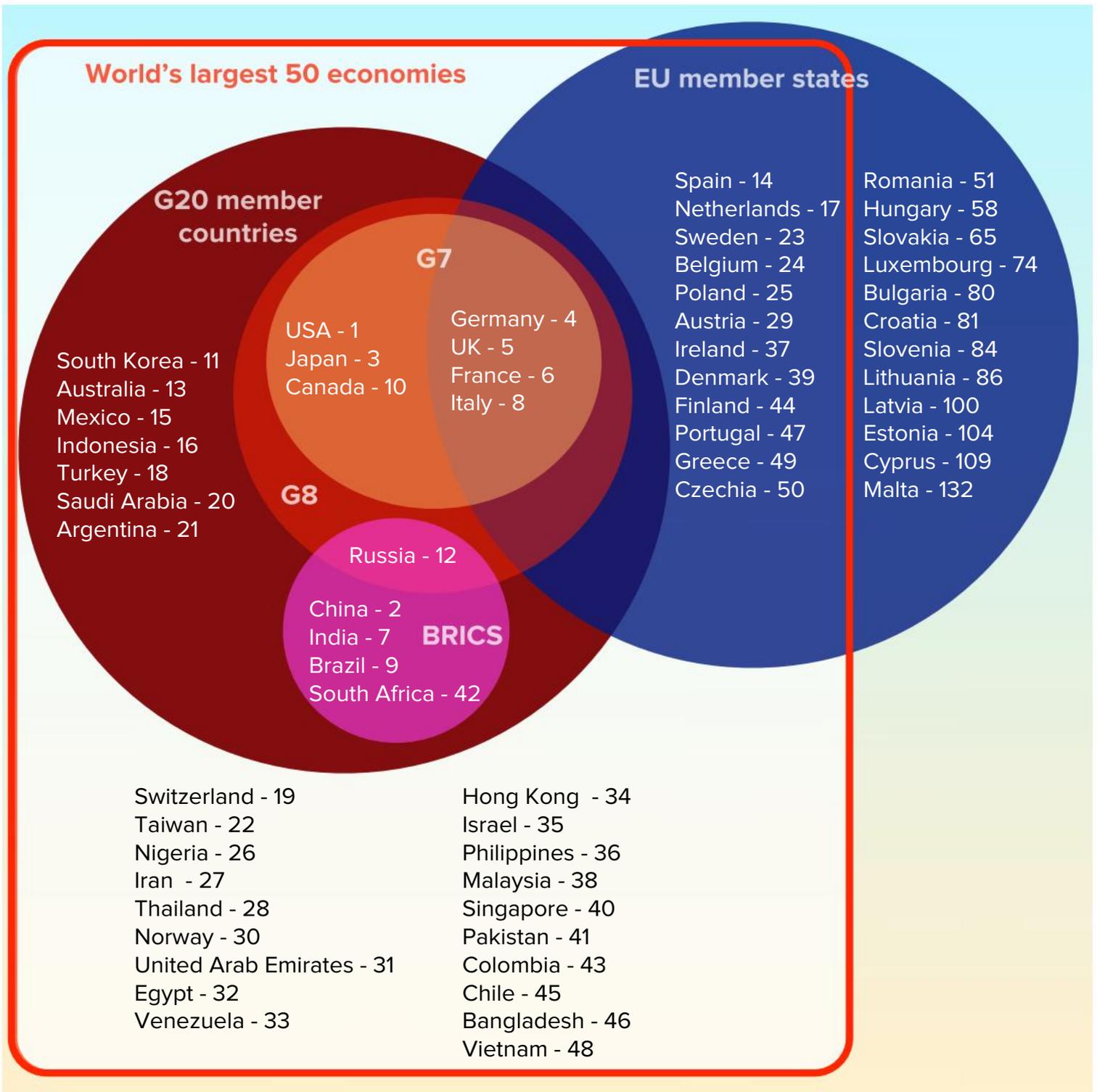
1. What is meant by the terms (a) superpower, (b) hegemony, (c) leadership cycles, (d) unipolar, and (e) multipolar?
2. With reference to figure 1.22, describe the broad world pattern of national power and influence.
3. With reference to figure 1.24, (a) describe the areas of the world where military expenditure per capita is highest, and (b) list three countries in each of the seven categories.
4. Provide evidence that the United States is (a) a military superpower, (b) an economic superpower, (c) a technological superpower, (d) a cultural superpower, and (e) a global superpower
5. Using the information contained in figure 1.27, list the countries with the largest economies in each of the six continental groups shown in the key.
6. Using the information in figure 1.27, compare the (a) size and (b) structure of the US and Chinese economies.
7. Compare the United States' and China's strengths and weaknesses as superpowers.

## Powerful organisations and global groups

Superpowers are not the only influencers of global interactions. In this section, the influence of global organisations and groups on global interactions will be analysed.

### G7/8, G20 and OECD groups

The expressions G7, G8 and G20 are shorthand abbreviations for the **Group of Seven Nations**, **Group of Eight Nations** and **Group of Twenty Nations**. These groups meet together regularly as an international governance forum to discuss economic policy. The groupings began in 1975



**1.32** Composition of the G7, G8 and G20, showing that the G20 does not simply consist of the world's largest 20 economies. The figure after the name of each country indicates the ranking of its economy by size in billions of US dollars in 2016 according to the *International Monetary Fund World Economic Outlook*. The abbreviation 'BRICS' is commonly used to refer to the emerging economies of Brazil, Russia, India, China and South Africa. The European Union is collectively a single member of the G7, G8 and 20. Note that the United Kingdom voted in 2016 to leave the European Union, and it is expected this withdrawal will be completed by 2020.

when a **Group of Six (G6)** comprising France, Germany, Italy, Japan, the United Kingdom and the United States met for the first time to discuss common approaches towards global economic policy.

The **G6** became the **G7** in 1976 when Canada joined the group, and it grew to become the **G8** in 1998 when Russia became a member. However, the **G7** continued to meet fairly regularly without Russia's presence, so both the **G7** and **G8** were functioning simultaneously for several years. Following its annexation of Crimea in 2014, Russia was suspended from the **G8**, so at the time of writing the future of the **G8** was unclear, although the **G7** countries continued to meet.

After several years as an observer, the **European Union** became a member of the **G7** and **G8** in 2009. However, the names of these gatherings were not changed on the basis that the EU was not a single nation, and the formal names were 'Group of Seven Nations' and 'Group of Eight Nations'. Therefore, with the European Union added as a member, the **G7** has eight members, and the **G8** has nine.

A larger grouping of nations, known as the **G20**, or **Group of Twenty Nations**, was formed in 1999 as a response to the Asian financial crisis of 1997. The aim was to expand consultation and decision-making to include additional significant economies from all parts of the world. The **G20**, which includes 19 countries plus the European Union as shown in figure 1.32, has met annually since 2011.

Although the **G20** was formed to represent the views of the world's most significant economies, figure 1.32 shows that the group does not only include the world's 20 largest economies. Indeed, one member of the **G20** is the world's 42nd largest economy. Historically, the **G7**, **G8** and **G20** have been dominated by the United States because of the size of its economy, and these organisations have thus tended to **reinforce** policies and practices that strengthen **neoliberal globalisation**. In that context, non-Western scholars question why Canada is a member of the **G7** and **G8** while larger economies such as China and India are excluded.

The issues discussed by the **G7** and **G20** members (and the **G8** when it is functioning) are wide-ranging, and include **economic** matters such as exchange rates, international trade, tax havens,

relations with developing countries, and so on, as well as **political** issues such as human rights, regional security and arms control, and **environmental** issues such as climate change and global warming.

These discussions tend to occur within a framework that **assumes neoliberal globalisation** rather than questioning it. In 2004, Vandana Shiva, an Indian social activist, criticised the groupings in these words: *"(To the G7), 'global' does not represent any universal human interest; it represents a particular local and parochial interest that has been globalised through its reach and control. The Group of Seven most powerful countries may dictate global affairs, but they remain narrow, local and parochial in the interests that guide them"*.

The **OECD** (Organisation for Economic Co-operation and Development) is a more formal association of advanced economies that was formed in 1960 with the aim of stimulating **world trade** and **economic development**. The OECD has a wide mandate that covers **economic**, **educational**, **environmental** and **social** issues, and it usually operates through agreement and co-operation rather than regulations. Although the OECD has little formal power, it exerts a large degree of **influence** over the policies and practices of member countries. It works through about 250 committees, working groups and expert groups, and some 40,000 officials from various nations travel to attend OECD meetings each year to do the work required by the committees.



**1.33** A meeting of the OECD's Task Force on Tax and Development on Transfer Pricing and Issues in Base Erosion and Profit Shifting, held in its headquarters in Paris, France.

The **primary tasks** of the OECD are:

- to gather **statistics** on economic aspects of globalisation
- to monitor the **economic and social performance** of member nations
- to promote the **liberalisation** of global capital flows and the globalisation of finance, including dismantling restrictive banking practices and promoting foreign investments by transnational corporations
- to deal with international **taxation** matters such as double taxation and tax evasion in the global economy
- to help frame regulations that deal with global **environmental issues**.

Among other activities, the OECD administers and publishes the annual **PISA** (Program for International Student Achievement) that compares educational outcomes of 15 year old students in member nations annually.

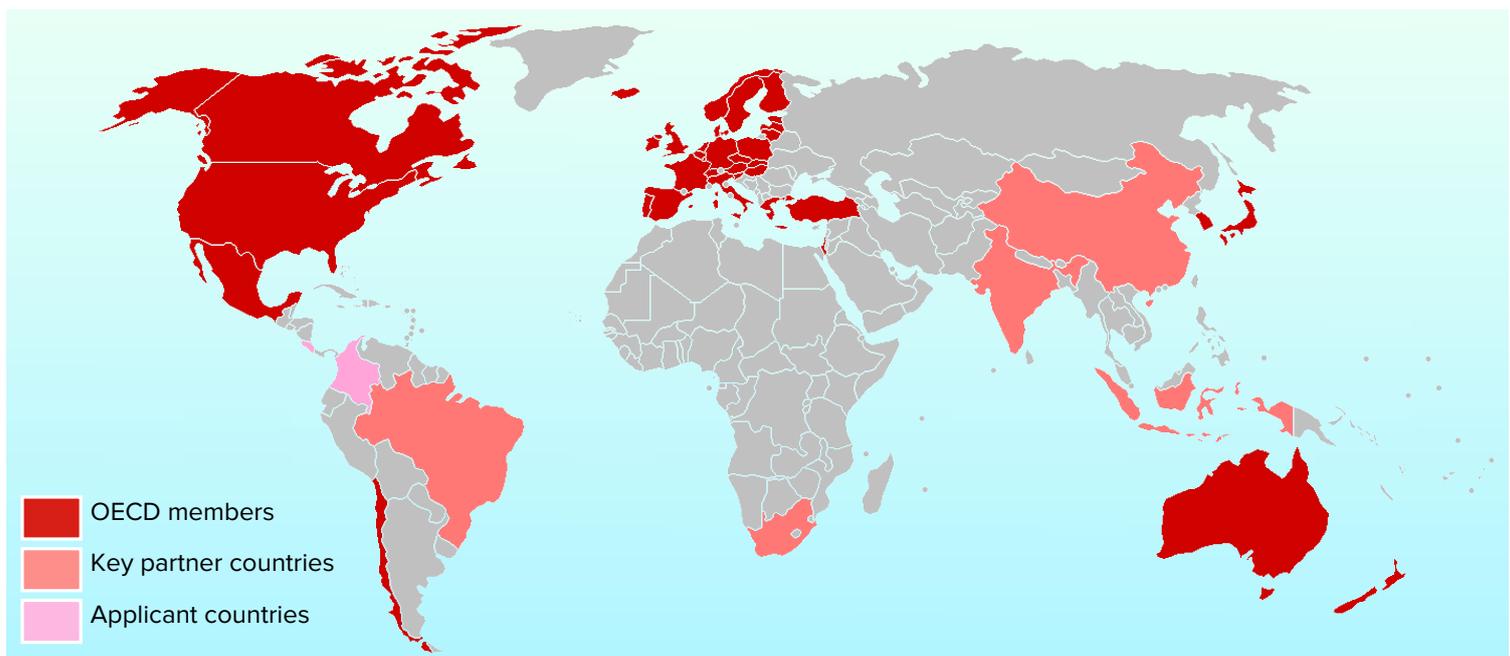
There are **35 members** of the OECD, most of which are **high-income countries**, as shown in figure 1.34. The OECD's composition is somewhat **Eurocentric** as the membership list includes 22 of the European Union's 28 countries and the headquarters of the organisation is in Paris, France. The OECD's Eurocentricity is understandable as the organisation grew out of an earlier grouping, the **OEEC** (Organisation for European Economic Co-

operation) that existed from 1948 until it morphed to become the OECD in 1960. There are some **emerging economies** such as Turkey, Mexico and Chile, as well as **partnerships** with other emerging economies such as China, India and Brazil that fail to satisfy some of the requirements for full membership. To be a member of the OECD, a country must commit to support the **market economy** (capitalism) and **democracy**.

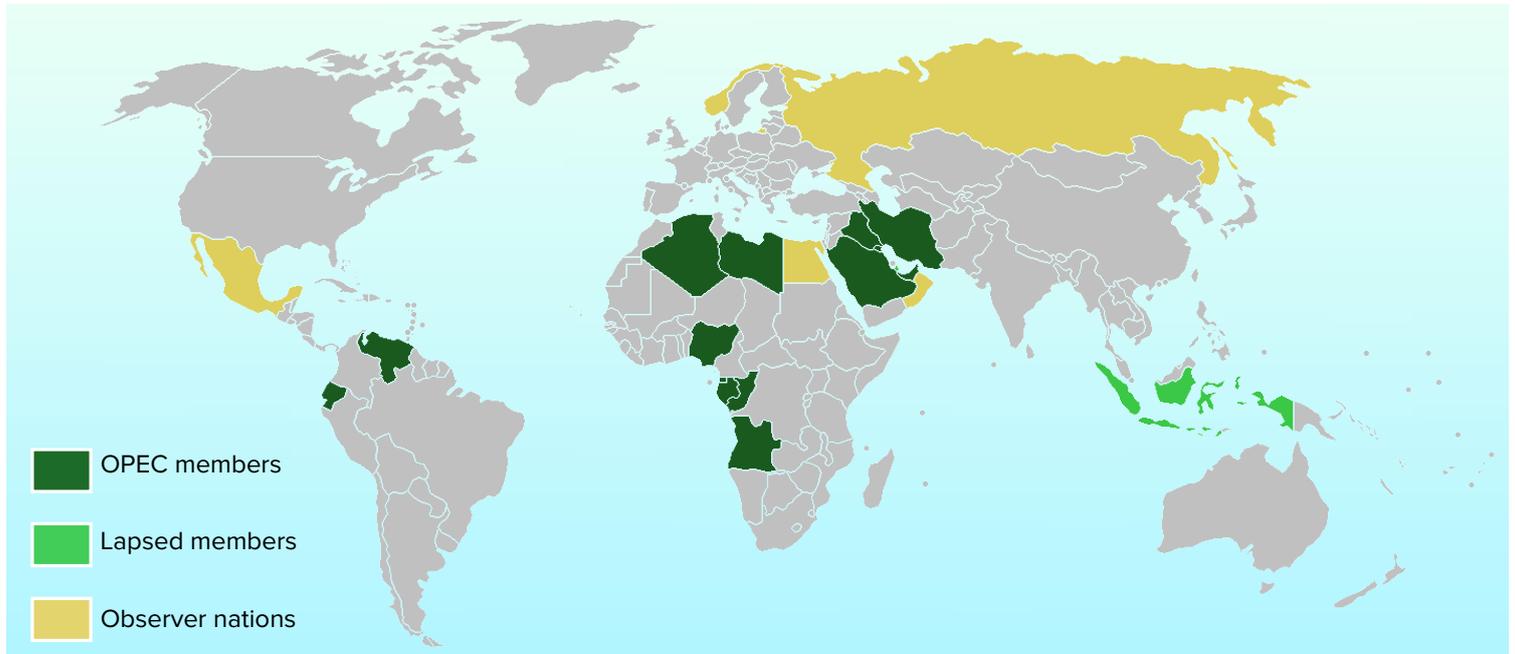
Like the G7, G8 and G20, the OECD has become closely associated with **promoting neoliberal globalisation**. It has supported **economic reform** through the imposition of tight monetary policies and limiting government spending, together with structural reform of economies that were seen to be over-regulated. In spite of a few exceptions such as France and Japan, the widespread experience of OECD countries during the period of expanding globalisation in the 1990s and early 2000s was that the wages of the top 10% of workers have risen more than the wages of the bottom 10%, thus **increasing income inequality**.

### OPEC's influence over energy policies

**OPEC**, the **Organisation of Petroleum Exporting Countries**, was formed in Baghdad, Iraq, in 1960 when five oil-producing countries – Iran, Iraq, Kuwait, Saudi Arabia and Venezuela – came together to co-ordinate their oil sales. There was



**1.34** OECD member countries, 2019. The key partner countries were designated in 2007, and work closely with the OECD despite not being full members. Note that Russia was an applicant country for membership, but its application was suspended in 2014 as a response to the country's annexation of Crimea.



**1.35** OPEC member countries, 2019. Membership fluctuates periodically. Ecuador suspended its membership in December 1992, but rejoined OPEC in October 2007. Indonesia suspended its membership in January 2009, reactivated it again in January 2016, but decided to suspend its membership once more in November 2016. Gabon terminated its membership in January 1995, but rejoined in July 2016. Qatar left OPEC in 2019 to focus on natural gas production. At the time of writing, OPEC had 14 member countries.

concern among the oil producers that they were being exploited by the large transnational oil producing corporations who were not paying them enough for the oil they were extracting. The stated **mission** of OPEC reflects this concern: *“The mission of the Organisation of the Petroleum Exporting Countries (OPEC) is to co-ordinate and unify the petroleum policies of its member countries and ensure the stabilisation of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry.”*

Membership expanded in subsequent years as shown in figure 1.35, and although some member countries have left and re-joined the organisation from time to time, **current membership** stands at 14 member nations. Five additional countries attend OPEC meetings as observers, enabling them to co-ordinate their oil production and pricing without affecting OPEC decisions by voting. OPEC members control about 73% of the world’s proven oil reserves and 44% of current world oil production, giving it immense **influence** over the global **price of oil** and the **energy policies** of consumer countries. In 2016, OPEC nations produced 35.5 million barrels of oil of the world’s total production of 80.6 million barrels (one barrel contains about 159 litres).

OPEC has **restricted the supply** of oil from time to time to drive the price of oil and petroleum upwards for consumers. In this way, OPEC has sometimes acted as a **cartel**, which is an association of suppliers or manufacturers who collude to maintain prices at a high level by restricting internal competition. The first time OPEC employed this tactic was in 1973 to 1974 when it **reduced production** and imposed an **embargo** on oil exports to the United States. This resulted in a sharp **rise in oil prices** from US\$3 to US\$12 per barrel within a few months, placing huge pressures on transport and manufacturing costs among oil-importing countries. Japan was especially affected by the price increases, slowing its economic growth for many years.

Some countries **responded** to this so-called energy crisis by introducing petrol rationing, banning weekend driving, and introducing odd-and-even driving days for cars according to their registration plates. The **growth** of most Western economies slowed or declined, **unemployment** rose, **inflation** skyrocketed, currencies were **devalued** and a global economic **recession** began. Other consequences that many commentators saw as more positive included an upsurge of research into **renewable energy** sources, the adoption of smaller, more **fuel-efficient** motor vehicles, more use of **public**

**transport**, installation of better home **insulation**, and greater emphasis on energy **conservation**.

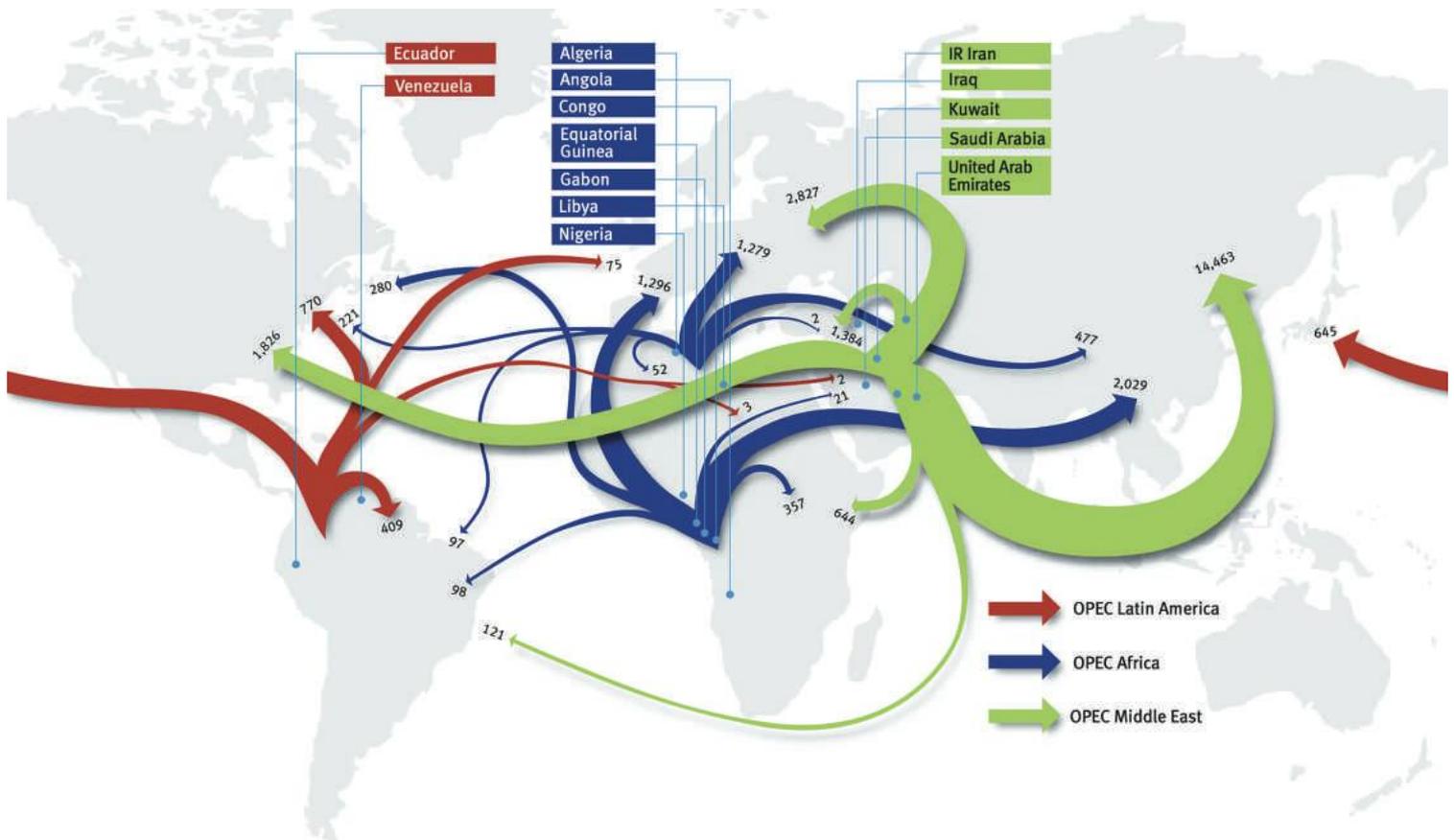
Oil prices again rose sharply in 1979 and the early 1980s, reaching US\$40 per barrel as **supplies were restricted** following the Islamic Revolution in Iran and the outbreak of armed conflict between Iran and Iraq. OPEC's market share fell from about 50% of world production to less than 30% by 1985, leading to pressures among individual member nations to increase their own production and take market share from other OPEC members. OPEC's largest producer, Saudi Arabia, increased production and flooded the market with cheap oil, causing oil prices to fall to US\$10 per barrel by 1989. This led to a **breakdown of cohesive policy** and a rise of **internal competition** within OPEC, and placed enormous cost pressures on higher-cost oil producers outside OPEC such as the Soviet Union and the United States. It is claimed that low oil prices, and thus declining oil revenues, was one of the forces that led to the collapse of the USSR in 1991.

In the late 1980s, the lack of cohesion within OPEC led Iraq's leader, Saddam Hussein, to argue within OPEC that the members should end over-

production so that oil prices, and thus incomes, could rise. This proposal was not accepted, and shortly afterwards, Iraq invaded Kuwait. This led to **insecurity** and a **shortage** in supplies of oil, raising prices to Western countries.

After Iraq was pushed back out of Kuwait by US forces in early 1991, world **oil prices** quickly fell once again. Nonetheless, disagreements continued within OPEC as smaller, poorer members argued for cuts in output from larger members so their revenues would increase as prices rose. However, OPEC's largest producer, Saudi Arabia, would not agree to these proposals as it would contravene its long-established policy of supporting industrialised economies in North America, Europe and Japan by ensuring a reliable supply of affordable oil that would support economic growth.

An important element in Saudi Arabia's thinking was that by keeping oil prices low, industrialised countries would be **less likely to invest** in research into alternative fuels or to make much effort to **conserve fuel**, either of which would reduce the long-term demand for Saudi oil. As the former Saudi Minister for Oil, Sheikh Ahmed Zaki Yamani commented, "Thirty years from now there will be a



**1.36** OPEC members' flows of crude and refined oil, 2018. Figures show the flow in thousands of barrels per day. Source: OPEC Annual Statistical Bulletin, 2019, p.76.

huge amount of oil – and no buyers. Oil will be left in the ground. The Stone Age didn't come to an end because we had a lack of stones, and the oil age will come to an end, but not because we have a lack of oil".

Figure 1.36 shows the **main destinations** of OPEC oil. The destinations receiving the largest quantities of oil are the countries that are **most dependent** on OPEC policies for their economic vitality. If OPEC cuts production and prices rise, these countries suffer economic downturns but are more likely to invest in renewable energy and conserve fossil fuels. If OPEC keeps producing oil in large quantities and prices are low, these countries' economies grow strongly, but this is at the cost of high pollution levels, little investment in renewable energy and few pressures to restructure manufacturing processes and service industries away from fossil fuels.

## QUESTION BANK 1D

1. What is the difference between the G7, G8 and G20?
2. Explain why the G7 has eight members and the G8 has nine members.
3. Examine figure 1.32, and comment on the composition of the G7 and G20 by considering these questions:
  - a. To what extent is the composition of the G7 adequate to provide a forum for global economic planning?
  - b. To what extent is the composition of the G20 adequate to provide a forum for global economic planning?
  - c. What changes would you propose to improve the composition of the G7 and the G20?
4. The G7 and G20 are accused of promoting neoliberal globalisation. Explain why you agree or disagree with this assertion.
5. What is the OECD, and what is its purpose?
6. To what extent is the composition of OECD adequate to provide a forum for global economic planning?
7. Evaluate the effectiveness of the OECD in reducing global injustice.
8. What is OPEC, and what is its purpose?
9. How does OPEC influence global energy policies?
10. With reference to figure 1.36, list the destinations receiving more than one million barrels of OPEC oil annually in descending order. What does this list reveal about regions of the world that are dependent on OPEC's policies?

## Global lending institutions

The large-scale **flow of money** across national borders that we take for granted today only became commonplace during the last quarter-century, but it represents a return to a similar situation on a smaller scale before World War I. Until 1914, an increasing share of the world's economy operated under the **gold standard**, which was the system where the value of a currency was defined in terms of pre-set, fixed quantities of gold, for which the currency could be exchanged. Under the gold standard, the world economy operated through a global financial market based in London.

Between the outbreak of the First World War in 1914 until the end of the Second World War in 1945, the gold standard was abandoned as national currencies were used as agents of government policy throughout the world. In that context, international financial flows almost stopped and foreign investment was viewed with great **suspicion**.

In July 1944, towards the end of World War II, a conference among the 44 Allied countries was held at **Bretton Woods** (New Hampshire, USA). The aim of the conference was to plan the structure of the post-war international economic system. The underlying principle of the discussions was that international trade and global markets should be as open as possible. As a result of the conference, agreements were signed to set up the International Bank for Reconstruction and Development (IBRD — later part of the **World Bank**), the General



**1.37** The Mount Washington Hotel in Bretton Woods, New Hampshire, USA, was the venue of the conference in 1944 that established the IMF and set the direction of global economic policies for the following decades.

Agreement on Tariffs and Trade (GATT — later to become the **World Trade Organisation**), and the **International Monetary Fund** (IMF).

These institutions represented significant advances for both lower case 'g' **globalisation** and upper case 'G' **Globalisation**. As multi-government organisations in an increasingly interconnected world, they reflected growing globalisation, but their agenda has been clearly focussed on promoting Globalisation. This was no accident as the **driving force** behind the Bretton Woods Conference and the institutions it produced was the United States, which by that time had become the most powerful agent in global finance governance.

An **exchange rate management system** was set up at the Bretton Woods Conference that remained in place until the early 1970s when fully floating exchange rates became the norm. The widespread introduction of flexible floating exchange rates in the 1970s began a trend towards removing barriers to the movement of money across national borders. The world's financial markets responded accordingly, and by 2000, the mobility of capital (money) had reached the 1914 level once again.

The world's economies thus became more and more **integrated** during the period following World War II, and this process accelerated from the mid-1980s until finally beginning to slow down with the Brexit vote in the United Kingdom and the election of Donald Trump as US President in 2016.

The trend towards increased **financial mobility**, which continues strongly despite the events of

2016, has arisen mainly due to two sets of forces. First, advances in **technology** have reduced the costs of transport, communication and information transfer so that firms can now locate different offices and parts of production lines in different countries economically.

The second factor is that trade and the international movement of money was increasingly **liberalised** and **deregulated** during the 1980s and 1990s. From the mid-1980s to the mid-2010s, governments increasingly replaced protectionist trading policies with **free trade policies** to promote political stability, accommodate rapid flows of capital and promote foreign investment. Free trade encourages importing and exporting with as few barriers as possible. Therefore, following the philosophy of neoliberal globalisation, **tariffs, quotas and import duties** were actively discouraged. Several of the international institutions that were established at Bretton Woods or shortly thereafter promoted this trend, examples being the World Bank, International Monetary Fund (IMF) and World Trade Organisation (WTO).

The **international financial system**, which drives global lending institutions, is known as an industry that never stops, as financial trading is a 24-hours-per-day industry. When one financial centre closes, activity simply switches to another in a different time zone that is still operating. This ability to switch trading from one city to another makes it very difficult for new cities to enter the world financial trade. The cities that control the world financial markets are more than centres of control and information processing – they are also centres of **information interpretation**. Although data can be transferred electronically, interpretation of data requires knowledge, expertise, and contact with other people. These requirements further reinforce the dominant position of a few world cities that have established the corporate culture and expertise that supports information interpretation. The cities that dominate the flow of global finance are:

#### Level 1:

- Hong Kong (China)
- London (United Kingdom)
- New York (United States)
- Singapore (Singapore)
- Tokyo (Japan)



**1.38** An international currency exchange shop in Kampala, Uganda. Widespread movement of currencies across the world was made possible in part by the outcomes of the Bretton Woods Conference in 1944.

## Level 2:

- Amsterdam (Netherlands)
- Frankfurt (Germany)
- Paris (France)
- Zürich (Switzerland)

## Level 3:

- Bangkok (Thailand)
- Beijing (China)
- Boston (United States)
- Brussels (Belgium)
- Chicago (United States)
- Doha (Qatar)
- Dubai (United Arab Emirates)
- Düsseldorf (Germany)
- Hamburg (Germany)
- Jakarta (Indonesia)
- Los Angeles (United States)
- Madrid (Spain)
- Melbourne (Australia)
- Mexico City (Mexico)
- Milan (Italy)
- Moscow (Russia)
- Mumbai (India)
- Rio de Janeiro (Brazil)
- Rome (Italy)
- San Francisco (United States)
- São Paulo (Brazil)
- Seoul (South Korea)
- Shanghai (China)
- Shenzhen (China)
- Sydney (Australia)
- Taipei (China)
- Toronto (Canada)
- Vienna (Austria)
- Warsaw (Poland)



**1.40** An agglomeration of major financial institutions around the Bank of England in Threadneedle Street, London, marks the area as London's financial centre. The Bank of England is the United Kingdom's central bank.

This list is based on a variety of indicators, including the volume of **international currency dealings**, the size of the **currency market**, the volume of **foreign financial assets**, the number of headquarters of **large international banks**, and the degree of **connectivity** between the city and other financial centres. The list is, of course, not fixed, and the importance of various cities will change from time to time. For example, although New York and London have been two major financial centres for many decades, the place of Tokyo as a level 1 centre has fluctuated. Cities such as Doha and Moscow would not have been on the list a decade ago, whereas Seoul and Shanghai would not have been on the list a couple of decades ago.

The pattern has become a little more complex in recent decades with the establishment of the so-called **offshore financial centres** (OFCs). These are



**1.39** The New York Stock Exchange symbolises New York's position as a level 1 global financial centre.



**1.41** Panama was one of the earliest offshore financial centres, and it continues to be important. This view shows the commercial district of Panama City, the capital.

small places such as islands and micro-states that have set themselves up as financial centres that attract money by offering lower taxes and freer regulatory frameworks than the established financial centres. Many of the financial institutions in the offshore financial centres are virtual entities. For example, in the Cayman Islands, there are more than 250 banking companies operating with hundreds of billions of dollars in their accounts, but only about 20 of the banks have a physical presence in the Cayman Islands. There are **clusters of OFCs**:

### Latin America and the Caribbean:

- Aruba
- Bahamas
- Belize
- Bermuda
- British Virgin Islands
- Cayman islands
- Curaçao
- Dominica
- Panama

### Europe:

- Andorra
- Gibraltar
- Guernsey
- Isle of Man
- Jersey
- Liechtenstein
- Luxembourg

### Middle East:

- Bahrain
- Kuwait

### Asia-Pacific:

- Cook Islands
- Macau
- Nauru
- Tonga
- Vanuatu
- Western Samoa

### Africa:

- Liberia
- Mauritius

Offshore financial centres provide banks, financial institutions, investors and transnational corporations with the flexibility to **move money freely**, declaring profits in whichever place charges the lowest (or zero) taxes. In recent years, there have been moves to force OFCs to tighten their regulations and decrease their secrecy, but as the



**1.42** The central district of Monrovia, Liberia's capital city, is one of Africa's major offshore financial centres.

viability of many OFCs relies on preferential treatment for foreign companies and tight secrecy, they have resisted these pressures.

**Three organisations** have been particularly influential in influencing the size and direction of financial flows around the world as global lending institutions. These organisations are the World Bank, the International Monetary Fund, and the New Development Bank.

### The World Bank

The **World Bank** was established by the victorious governments after the Second World War in 1947 to provide financial and technical assistance to developing countries. It operates through two subsidiary organisations, the **IBRD** (International Bank for Reconstruction and Development) and the **IDA** (International Development Association). The IBRD works with middle income and credit-worthy poor countries, whereas the IDA focuses on the poorest countries in the world. Of the two subsidiaries, the IBRD is by far the larger.

The World Bank describes its **role** as “*providing low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.*” In practice, it assists in the **financing** of development projects, and acting as an **intermediary** between private international banks and the governments of developing countries. It **extends loans** for infrastructure projects, and it provides **interest-free loans** through the IDA to foster industrialisation.

The **structure** of the World Bank is strongly influenced by the United States, and its headquarters is in Washington DC. The President of the World Bank is appointed by the US President, and traditionally World Bank leadership has been held by US citizens.

### The International Monetary Fund (IMF)

Also established by the victorious governments in the aftermath of World War II was the **IMF (International Monetary Fund)**. The **role** of the IMF is (in its own words) *“to oversee the international monetary system to ensure exchange rate stability and to encourage members to eliminate exchange restrictions that hinder trade.”*

Today, the IMF has 189 member countries and works in **three main areas**. First, the IMF **monitors** global economic and financial developments, and on the basis of this ‘surveillance’, provides **policy advice** that is designed to help countries avoid financial crises. Second, the IMF provides **loans** to countries that are having problems with their balance of payments, to countries that need temporary financing, and to low-income countries to reduce poverty. The third area of IMF work is providing **technical assistance and training** in fields where it believes it has expertise. In recent years, the IMF has also played an active role in working to **counter money laundering** and financial flows that are thought to be supporting **terrorist activities**.

Like the World Bank, the **structure** of the IMF gives the United States enormous influence over its policies and operations. Voting in the IMF is based on a weighting of the size of countries’ economies, and with the world’s largest economy, the United States has the greatest weight. While the United States effectively has veto power in votes, the poorest 165 countries have just 28% of voting power. The headquarters of the IMF is in Washington DC, across the road from the World Bank, and most of its staff is made up of US economists. There are frequent exchanges of personnel between the IMF and the United States Treasury. Traditionally, the leadership of the IMF is held by a European from a high-income country in an effort to balance the American leadership of the World Bank. Since 1946, IMF leaders have come from Belgium, France (five times), Germany, the Netherlands, Spain, and Sweden (twice).

Both the IMF and the World Bank offer **conditional loans** based on **neoliberal reforms and conditions**. Conditional loans are granted to countries subject to certain policy reforms being implemented. These conditional loans take two main forms:

- **Structural Adjustment Programs (SAPs)** – these are austerity measures imposed on developing countries that have often had negative impacts on poorer sectors and poorer people.
- **Economic Medicine** – an informal label that covers measures and programs that the IMF or the World Bank believe are necessary to ensure economic development occurs without allowing countries to succumb to socialism, communism or state-led economic planning.



**1.43** The impact of IMF policies – a cartoonist’s view.

Source: - [http://polyp.org.uk/new\\_cartoons/new.html](http://polyp.org.uk/new_cartoons/new.html), which contains additional material that is relevant to this topic.

The **key conditions** imposed by the IMF and World Bank on their loans to low-income countries include:

- Severe **austerity measures** to reduce debt.
- **Shock therapy** to remove price controls, devalue currency exchange rates or float exchange rates to make exports cheaper on world markets, and reduce rates of taxation.
- Rapid **liberalisation of trade** by removing tariffs and subsidies that protect local industries, deregulating markets, privatising state-owned enterprises, and privatising health care and education.
- Promotion of **export industries**.
- **Debt repayment** assurances.

The **motivation** to introduce conditional loans that promote structural adjustment was a **debt crisis** in the early 1980s. At that time, the United States increased interest rates, leading several Latin American countries to default on their repayments

of loans to the IMF and World Bank. As a response to the debt crisis, the IMF and the World Bank began to insist that debtor nations must engage in significant economic and social reforms that would **boost exports, reduce government intervention and increase the role of the private sector.**

Initially, the conditions imposed upon borrowing countries by the IMF and World Bank were simple and straightforward, such as requiring effective programs to maintain stability of currency exchange rates. Over time, the conditions tightened with the aim of **transforming countries** with economies that had significant levels of government intervention into more market-oriented economies. These changes were designed to make borrowing countries more attractive for **foreign investors** on the basis that attracting more **transnational corporations** was seen as a key strategy for development.



**1.44** Chile was the first country to implement neoliberal shock therapy measures. As shown in this view of the northern city of Iquique, inequality remains widespread in Chile, which is often mentioned as a classic example of the ineffectiveness of trickle-down benefits of economic policies.

Loans from the IMF and World Bank, together with their SAPs, have been **controversial**. The pressure to reduce government spending on health and education, and to **privatise health and education** in low-income countries, has been criticised at a time when chronic diseases are widespread and levels of basic literacy remain low. Furthermore, the World Bank (and to a lesser extent the IMF) has often funded **large-scale projects** such as dams that have displaced communities and caused environmental problems.

Another concern has been that while the World Bank and IMF have been requiring low-income countries to remove **trade barriers**, the United States and European countries (that direct the IMF and World Bank) do not follow the same policies themselves. The United States and the European Union maintain **high tariffs** and **subsidies** for their agricultural and manufacturing sectors, and in many cases, these are increasing. This can lead to accusations of **double standards**, and to adverse effects such as subsidised US rice being dumped into African countries, forcing local farmers into bankruptcy because they cannot compete.

### The New Development Bank (NDB)

The **New Development Bank (NDB)** was established in 2015 to provide an **alternative approach** to running a **global lending institution**. The NDB was established jointly by the five emerging economies known as **BRICS** – Brazil, Russia, India, China and South Africa – each of which has an equal 20% share of the bank. The **purposes** of the NDB are:

- to **fund infrastructure projects** in the five BRICS countries using principles of **sustainable development** (which means they can be practiced in perpetuity without negative environmental, economic or social consequences).
- to establish **partnerships** with other global lending institutions and national development banks.
- to support projects after giving due respect to factors such as geographical **location**, finance **needs**, potential **benefits** and **sustainability**.
- to build a **knowledge base** that helps decision-makers to make better informed decisions.

The headquarters of the NDB is located in Shanghai, China, and the position of President will rotate in a cycle among the member countries. The first President of the NDB was from India, the first Chair of the Board of Governors was from Russia and the first Chair of the Board of Directors was from Brazil.

Early **projects** funded by the NDB suggest that the Bank's priorities are quite different from the neoliberal agenda being fostered by the World Bank and IMF, and there is a strong emphasis on **renewable energy** and **sustainable practices**:

- a renewable energy project involving **wind and solar power** in Brazil
- a renewable energy project involving **offshore wind power** in Pinghai Bay, Fujian province, China
- a renewable energy project involving **roof-top solar photovoltaic cells** on office buildings in industrial parks in Shanghai, China
- upgrading major **district roads** in Madhya Pradesh state, India
- a renewable energy project involving **wind and solar energy** in India
- a renewable energy project involving the construction of two small **hydroelectricity dams** using green power in Karelia, Russia
- a renewable energy project to improve **electricity transmission** in South Africa.



**1.45** The headquarters of the NDB is in the Pudong district of Shanghai, China.

Given that the **priorities** of the NDB are so different from the neoliberal agenda of the World Bank and the IMF, the New Development Bank has been seen as a direct **challenge** to the long-established global lending institutions. The NDB is the first international lending institution to be established and led by countries **outside North America and Western Europe**, and the first to emphasise **environmental sustainability** rather than neoliberal economics in its priorities for investment. As each of the five countries has received loans through the IMF and/or the World Bank, the NDB has been keen to offer a different experience, providing loans free of politically-motivated conditions and without undue delays.

### QUESTION BANK 1E

1. What is the gold standard?
2. Describe the intentions and outcomes of the Bretton Woods Conference in 1944.
3. Why is the Bretton Woods Conference still significant today?
4. Explain why the formation of the World Bank and the IMF has advanced both globalisation and Globalisation.
5. Describe the distribution of the key components of the international financial system.
6. What are offshore financial centres, and why are they significant?
7. How was the World Bank formed, and what are its objectives?
8. Who or what are the main influences on the World Bank's policies and practices, and how do these influences shape the neoliberal philosophy of the World Bank?
9. How was the IMF formed, and what are its objectives?
10. Who or what are the main influences on the IMF's policies and practices, and how do these influences shape the neoliberal philosophy of the IMF?
11. What are Structural Adjustment Programs, and what have been their impacts?
12. What are conditional loans, and what are typical conditions imposed by the IMF on borrowers?
13. Explain why the actions of the World Bank and the IMF are often controversial.
14. What is the New Development Bank (NDB)?
15. Describe the ways in which the NDB differs from established global lending institutions such as the World Bank and IMF in each of the following areas:
  - a. structures
  - b. influences
  - c. philosophy
  - d. policies, and
  - e. practices.



**2.1** The port zone in Colombo, Sri Lanka, is critically important for the country's foreign trade. Most of the buildings in the foreground date from the colonial period when Sri Lanka's global networks were based on British, rather than local, interests.

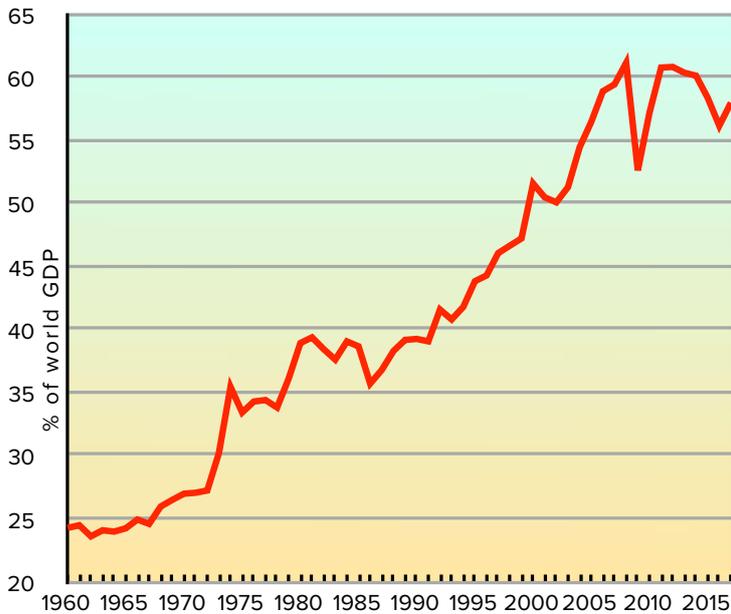
## Contemporary global networks and flows

### Global trade in materials, manufactured goods and services

The basis of trade throughout human history is the **uneven distribution** of resources. Unfortunately, this uneven distribution of resources has also been the cause of many wars when leaders of some countries believed they could obtain the materials they needed or wanted more cheaply through conflict than trade. It was therefore a combination

of trade and invasion that led to the **wealth of empires** and **expansionist nations** from ancient times up to the present day. The ancient Silk Road that joined Europe to China, and the vast shipping routes developed by various European empires, are evidence that international trade is not a new phenomenon. Indeed, the following description that was written in 1919 by the famous economist John Maynard Keynes might not seem out of place in today's 21st century world; Keynes is describing the life of a London businessman in 1914:

*"The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of*



2.2 International trade as a proportion of world GDP, 1960 to 2017. Source: Drawn from World Bank national accounts data, and OECD National Accounts data files.

*the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages..." (The Economic Consequences of the Peace, pp.10-12)*

Keynes' passage reminds us that our modern idea that globalisation has given consumers in high-income countries **access to goods and services** from around the world is not new. This is not to say that

recent globalisation has not changed aspects of international trade – for example, women in most parts of the world, and indeed large numbers of people in general from places outside the capital cities of Europe now have access to goods and services that would have been unthinkable in 1914. The **growth in world trade** as a proportion of world GDP over the past half century has been quite remarkable, increasing by a factor of about 2.5 since 1960 as shown in figure 2.2.

Figure 2.3 gives an indication of the different **exports** that countries in various parts of the world specialise in producing. The map is a simplification in that it shows only the dominant export from selected countries, and most (but certainly not all) countries export a variety of products rather than just a single commodity.

Nonetheless, the map highlights the **regional specialisations** that occur with **low-income countries** specialising in agricultural produce, timber, raw materials and minerals, while **high-income countries** specialise in manufactured goods such as motor vehicles and machinery. **Emerging economies** such as China, Taiwan, Malaysia and the Philippines that have low-cost but well-educated workforces are supplying most of the world's electronic equipment such as computers, mobile phones and semi-conductors. Countries in the Middle East and North Africa specialise in oil and petroleum products, although the extent to which oil income benefits the majority of the



2.3 The largest exports of goods from selected countries around the world, 2018. Service exports are not included in this map. Source: CIA World Factbook.

population varies greatly. Some countries' exports are contrary to the general trend, such as developed countries like Australia, New Zealand, Iceland and Chile whose main exports are primary products.

The pattern shown in figure 2.3 is the result of geographical processes that have operated over a long period of time. At the end of World War II, **global linkages** were in tatters as a result of the conflict. Most countries across the world at that time aimed to achieve **self-sufficiency** in both food and manufactured goods because of fears that future conflicts might disrupt supplies and threaten national survival. Countries on both sides of the Iron Curtain – the **capitalist** countries aligned with the United States and the **socialist** countries aligned with the Soviet Union – concentrated on producing products for their own domestic markets, and the pattern of international trade was industrialised countries importing the **raw materials** they needed from developing countries, often colonies or former colonies.

During this period, the United States made huge **investments** in re-building the economies of its former enemies, Germany and Japan. Although the motive for this investment was to build strong capitalist economies to counter the expansion of Soviet communism, it resulted in the creation of formidable **competitors** for United States manufacturers. This was especially so for two reasons. First, Japan and Germany were getting newly re-built and equipped factories with the **latest technology** to compete with older US facilities. Second, the United States insisted that Japan should **not re-arm** and that Germany should only do so on a fairly modest scale, allowing the United States to defend them. This meant Germany and Japan could devote almost all their funds into **industrial investments** and **infrastructure growth**, while the United States funds were being used up in the defence of these and other offshore countries. Consequently, by the 1970s, the United States had lost its **former dominant position** as the world's leading exporter of manufactured products. The US share of world merchandise exports has continued to slide from 28.1% in 1948 to 14.3% in 1963, to 12.6% in 1993, and 9.0% in 2017.

Meanwhile, some of the countries that were former colonies began to **industrialise** themselves. Countries such as India, Ghana and Indonesia

initiated programs of **import substitution**, producing goods for their own domestic markets to replace imported goods from industrialised nations. In this way, **manufacturing expanded** beyond North America, Western Europe and Japan, although it had little impact on international trade at that stage.

From the 1960s onwards, as figure 2.2 showed, global trade in materials, manufactured goods and services began expanding. Initially, this was triggered when some countries with **new manufacturing** industries such as China, Mexico, Brazil, Czechoslovakia and Poland began to seek export markets. However, trade at that time was limited within **two spheres**, the capitalist economies and the socialist economies, with little mixing between the two.

Since the late 1980s, international trade has **expanded** greatly, mainly due to two forces. First, with the fall of the Berlin Wall and the collapse of the Soviet Union, the two spheres of international trade merged into a **single capitalist world market**. Countries that had been within the socialist sphere had a huge demand for new Western goods, although at first they lacked the hard currency to purchase them. Wages were relatively low in the former socialist economies, and this provided an incentive to Western companies such as Volkswagen to buy and upgrade inefficient, old, heavily polluting factories and upgrade them, boosting the economic recovery of the former socialist countries. As time progressed, this raised the incomes of residents of the former socialist countries, providing new market opportunities for Western manufacturers.

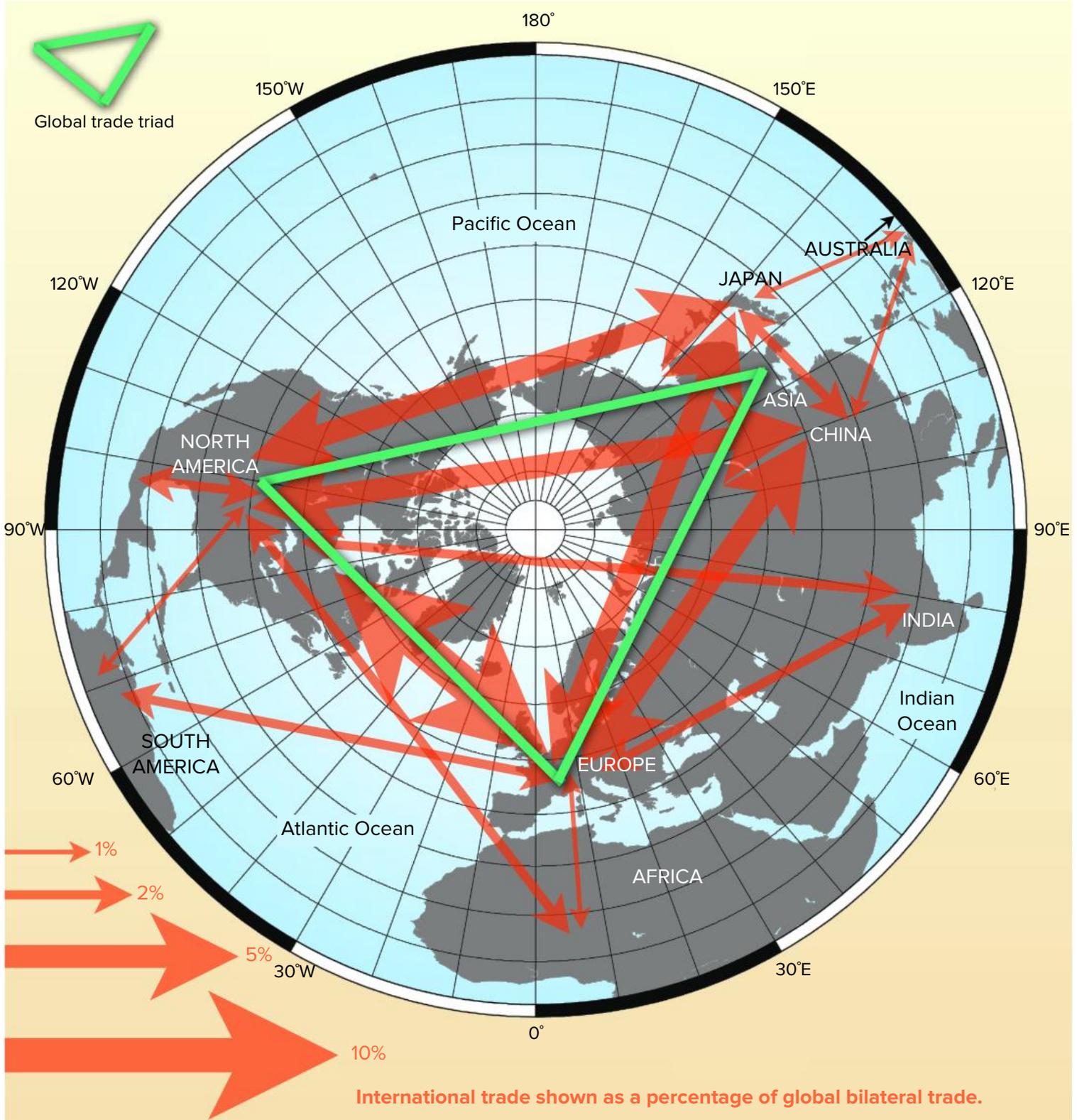


2.4 The headquarters of the World Trade Organisation in Geneva, Switzerland.

## Chapter 2 - Global networks and flows

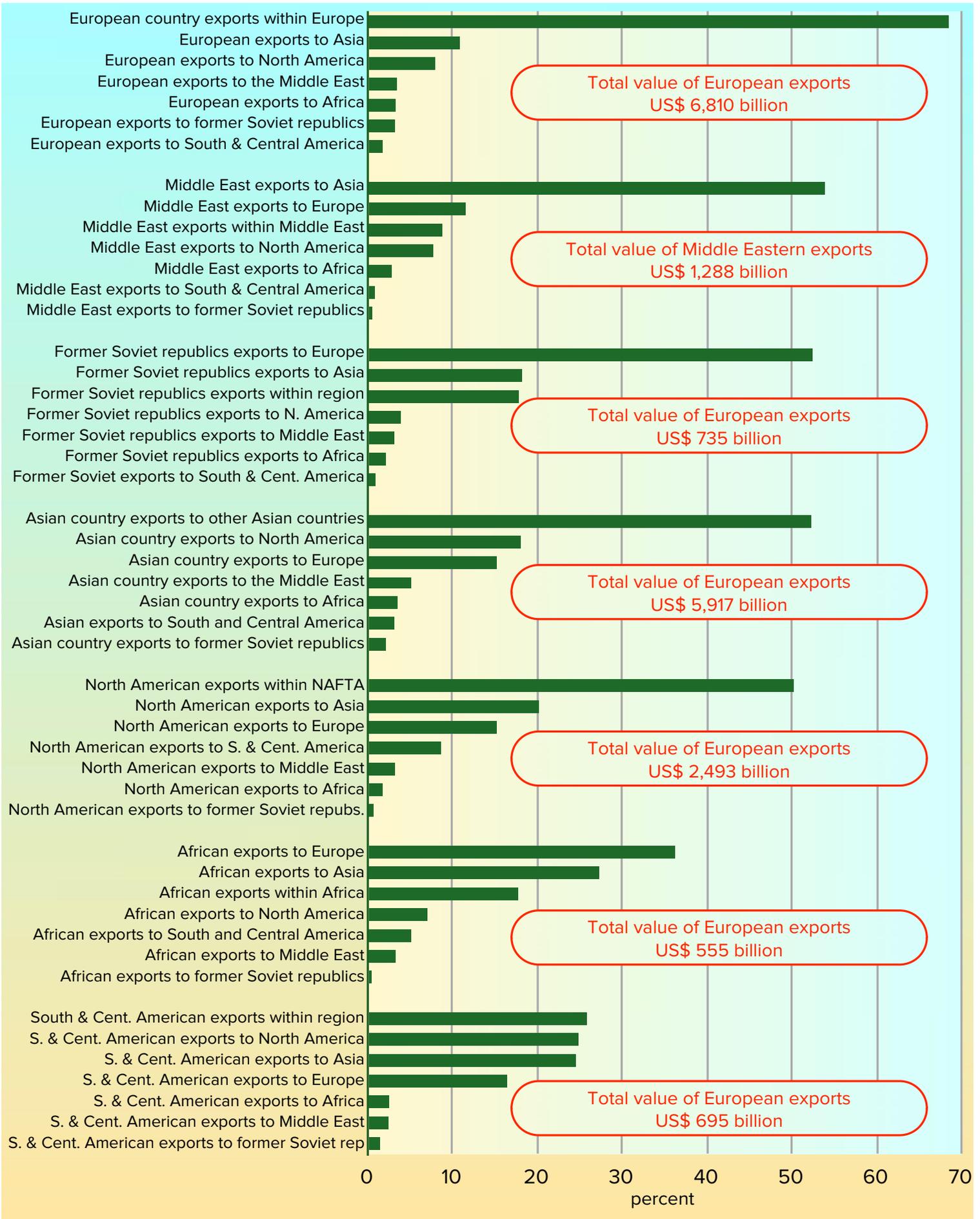
The second factor that led to the expansion of global trade was the spread of **neoliberal policies**, often with the support of **institutions** such as the **World Bank**, the **IMF** and the **WTO (World Trade Organisation)**. The WTO was founded in 1995, taking over the role of an earlier organisation called **GATT (General Agreement on Tariffs and Trade)** that had been established in 1947 under similar

circumstances to the World Bank and the IMF. With headquarters in Geneva, Switzerland, the WTO has 164 countries as members, and its main role is to establish and regulate a set of rules to govern international trade. Its philosophy is to work towards the liberalisation of trade in accordance with neoliberal principles, and when problems arise, make an effort to settle disputes.

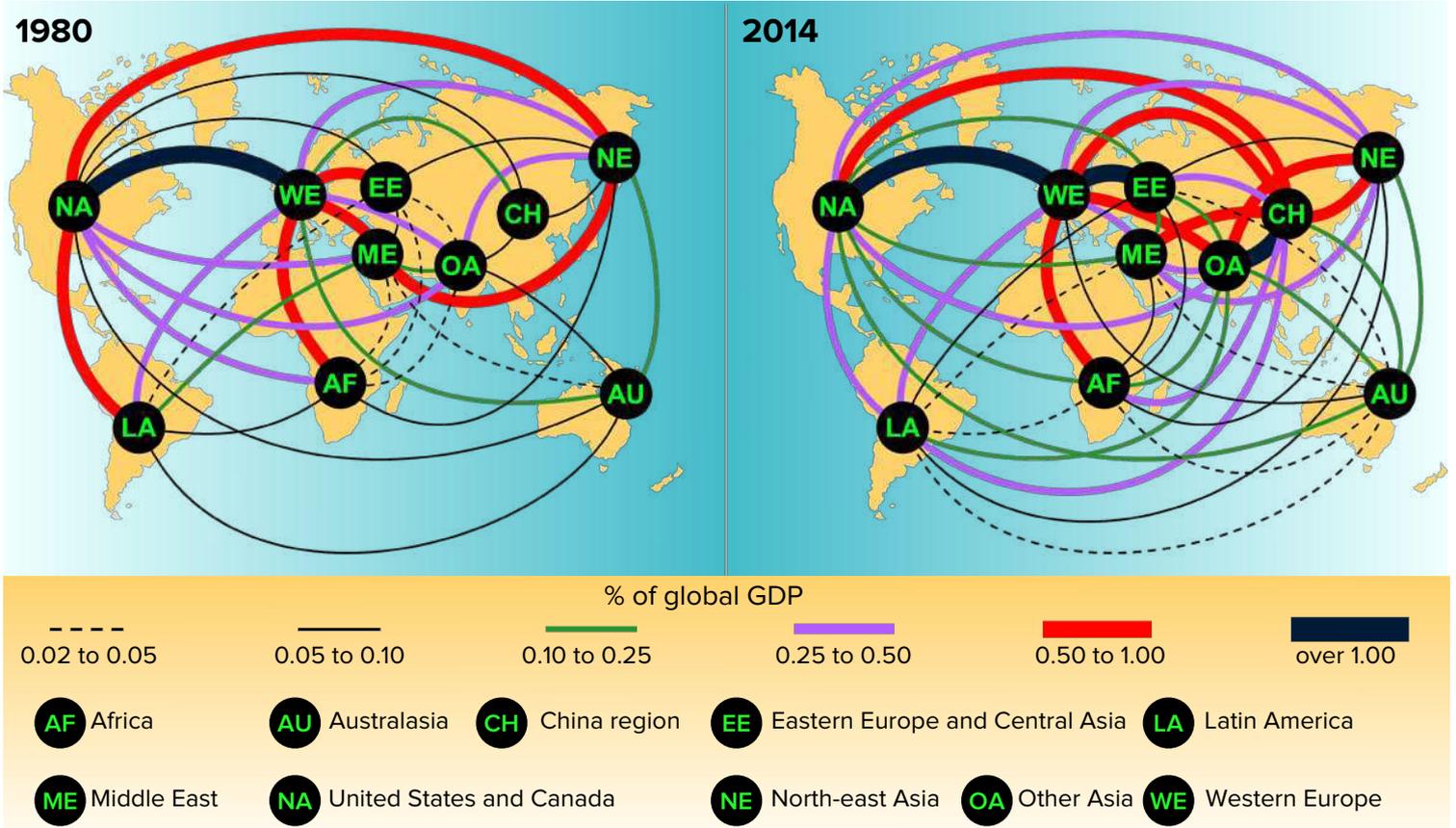


International trade shown as a percentage of global bilateral trade.

**2.5** The global trade triad is defined by the triangle of high-volume trade between North America, Europe and East Asia (China and Japan). The global trade triad is shown in this figure in light green. Source: After Matthew Sparke (2013) *Introducing Globalization*, p.66, drawing on data from the European Spatial Planning Observation Network.



2.6 Global merchandise exports by region and destination, 2014. Source: Drawn from data in World Trade Organisation (2015) *International Trade Statistics 2015*.



**2.7** Growth in world trade of goods, 1980 to 2014. During the period from 1980 to 2014, the value of world trade in goods rose from US\$1.8 trillion to US\$19.0 trillion, an increase of 10.5 times. In 1980, world trade in goods represented 18.6% of global GDP, but by 2014 this figure had risen to 24.6% of global GDP. Source: McKinsey Global Institute (2016) *Digital Globalization: The New Era of Global Flows*, p.20.

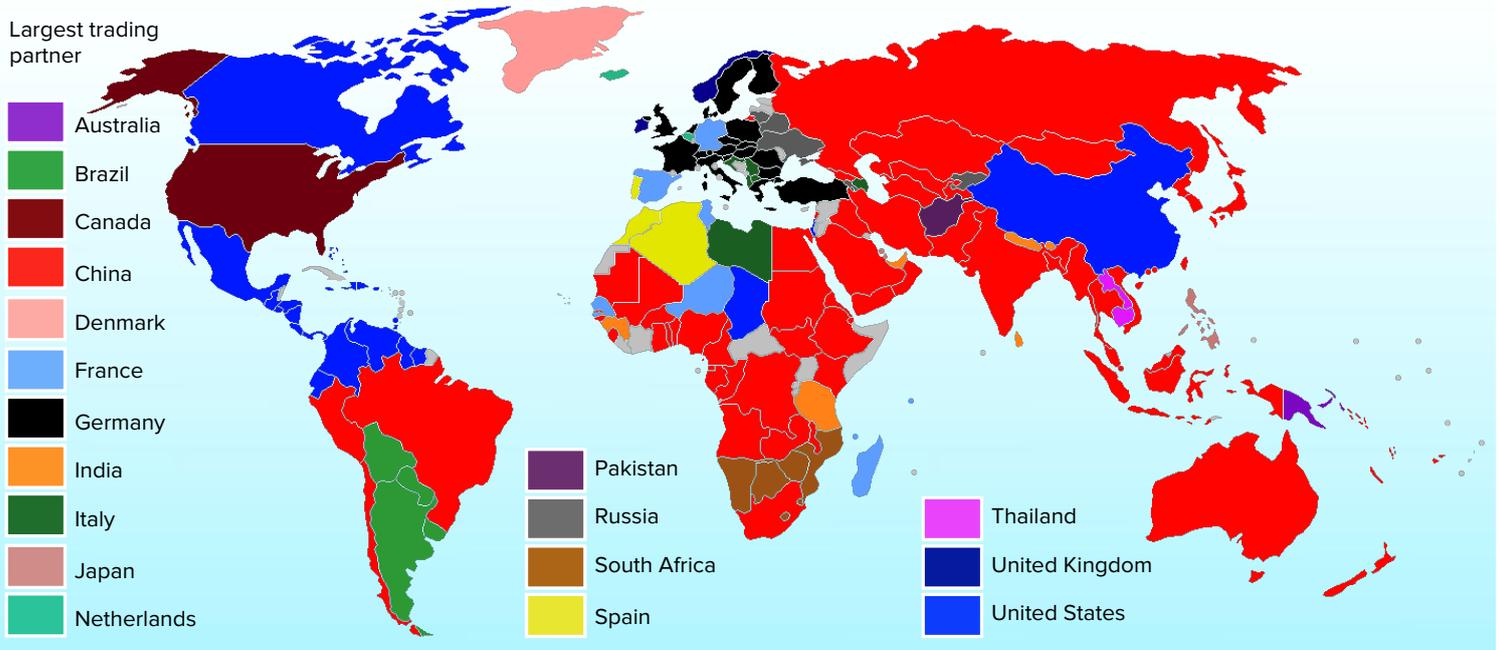
As the **manufacturing exports** of high-income countries such as the United Kingdom and the United States became **less competitive** on world markets, these countries have switched their emphasis from merchandise exports to **service (or tertiary and quaternary industry) exports** such as insurance, management consultancy, financial investments, advertising and education. Service industries also dominate the exports of some other countries whose labour costs have made their other exports uncompetitive such as Singapore, Hong Kong, Switzerland, Liechtenstein and Luxembourg.

A combination of three factors – historical legacy, the uneven distribution of resources around the world and the development of a globalised economy based largely on neoliberal principles – combined to produce the **global trade triad** shown in figure 2.5.

The global trade triad, which comprises **three core regions** – North America, Europe and East Asia (especially China, Japan, South Korea and Hong Kong) – now dominates the world’s exports and imports. Although US exports are declining, the

United States remains a major trading power, and with the emergence of large-scale exports from Europe and East Asia, the global trade triad now accounts for about 85% of global imports and exports. In other words, the United States has changed from being the world’s leading manufacturing nation to the world’s leading consumer nation at the same time as Europe and East Asia have emerged as the world’s leading export regions. The two-way trade movements that arise from these relationships have enabled the global trade triad to become the **core of world trade**, with all other areas comprising a **periphery**.

Trade **between** the three regions of the global trade triad exceeds the bilateral trade between any other parts of the world. Furthermore, the value of trade **within** each of the three parts of the global trade triad vastly exceeds the value of all other global trade (figure 2.6). In 2014, 68.5% of exports from European countries went to other European countries. Similarly, 52.3% of exports from Asian countries went to other countries, while 50.2% of exports from the three countries in NAFTA (the North American Free Trade Association,



**2.8** The largest trading partner in goods (exports and imports combined), 2014. Largest trading partners for countries shown in light grey (shown in brackets) include: Burundi (Saudi Arabia), Central African Republic (South Korea), Côte d'Ivoire (Nigeria), Cuba (Venezuela), Cyprus (Greece), Estonia (Finland), Jordan (Israel), Latvia (Lithuania), Liberia (Singapore), Moldova (Romania), Rwanda (Zimbabwe), Somalia (Ethiopia), Syria (Iraq), and Uganda (Kenya). Source: McKinsey Global Institute (2016) *Digital Globalization: The New Era of Global Flows*. p.40.

comprising the United States, Canada and Mexico) went to each other.

For countries **outside the global trade triad**, the pattern of exports is quite different. As shown in figure 2.6, just 8.8% of Middle Eastern exports stay within the Middle East, while 73.1% of Middle Eastern exports go to countries in the global trade triad. For Africa, only 17.7% of exports are to other African countries, whereas 70.5% of African exports go to countries in the global trade triad.



**2.9** Part of the port of Hong Kong, the fourth busiest container port in the world (after Shanghai, Singapore and Shenzhen). Hong Kong is a key component in the global trade triad's dominance of world trade.

### QUESTION BANK 2A

1. Why does the even distribution of resources around the world lead to trade between countries?
2. Classify the top eight exports shown in the key to figure 2.3 into (a) primary industries, and (b) secondary industries.
3. Using your answer to the previous question, describe the broad world distribution of (a) countries whose main exports are primary products, and (b) countries whose main exports are the products of secondary industries.
4. With reference to figure 2.2, and using key statistics, describe the growth of international trade as a proportion of world GDP since 1960.
5. Describe the changes since World War II that have given rise to the present pattern of global trade.
6. Define the global trade triad, and explain why it developed.
7. Using the information in figure 2.5, rank the two-way flows of trade in descending order of size.
8. Using the data in figure 2.6, rank the seven regions in descending order of total value of their exports. Comment on the relationship between this ranking and the global trade triad.
9. With reference to figure 2.6, estimate the statistics to complete the gaps in the following sentence: Just \_\_\_% of exports from South and Central America remain within the region, while \_\_\_% of exports from South and Central America go to countries in the global trade triad. For former Soviet republics, only \_\_\_% of exports are to other former Soviet republics, whereas \_\_\_% of exports from

former Soviet republics go to countries in the global trade triad.

10. With reference to figure 2.7, identify the trade flows that increased the most between 1980 and 2014, and relate these to the global trade triad.
11. With reference to figure 2.8, identify and rank the three countries that are the largest trading partners with the greatest number of countries around the world.
12. Using the information in figure 2.6, which region shown (a) has the highest percentage of exports remaining within its own region, (b) is the largest external destination for exports from North America, (c) is the main destination of exports from the Middle East, and (d) has a pattern of exports that is dominated by exports going to Europe (excluding exports that stay within Europe)? [Note that two regions satisfy the criterion for part (d); try to find them both].

### International aid, loans and debt relief

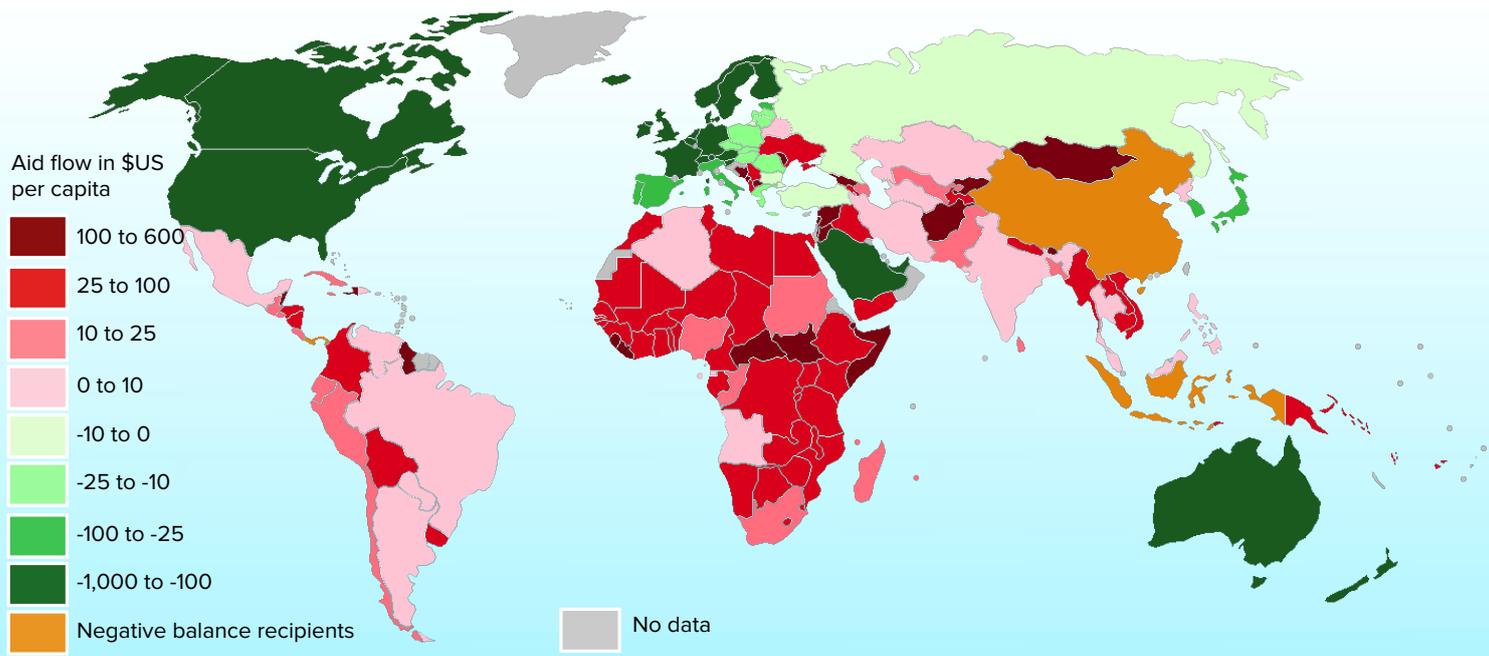
Aid refers to grants or loans at below normal market interest rates to low-income countries. When aid is provided by governments, it can be referred to as **overseas development assistance (ODA)**. The **nature** of aid and the **motivations** behind aid, and especially ODA, have changed over the years.

In the decades following the end of World War II in 1945, aid became an important tool used by high-

income countries, and especially the superpowers, to **influence** the pathway to economic development in poorer countries. Much of the aid provided by the superpowers was in the form of **military** equipment and investment in large **infrastructure** projects that was really an attempt to buy **friendship, alignment and loyalty**. Some aid also took the form of **medical aid** that was provided for **humanitarian** reasons as well as **food aid** that was provided to address **crisis situations**. However, most aid without political 'strings' attached tended to come from countries that were not superpowers.

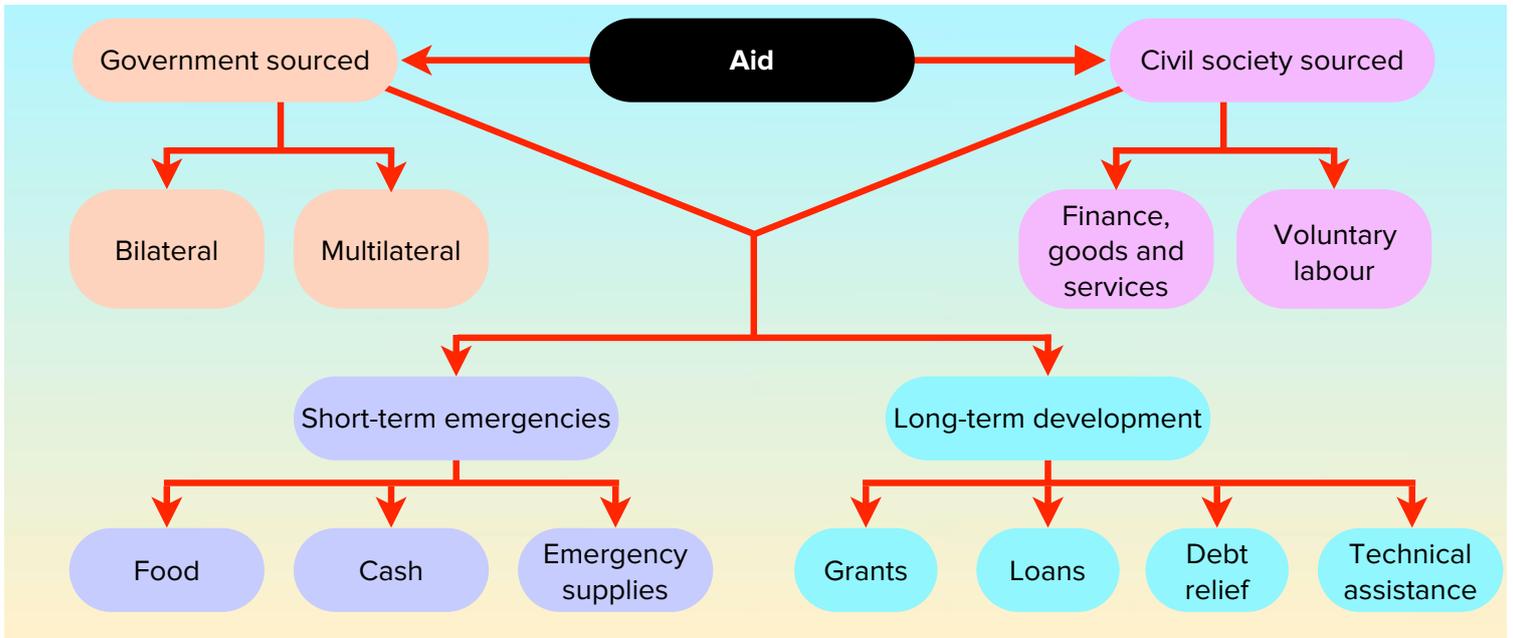


**2.11** Some ODA continues to be provided to buy influence. One example is the Capitol Building in Ngerulmud, Palau, the construction of which was donated by the government in Taiwan in part to secure Palau's diplomatic recognition of Taiwan and rejection of the People's Republic of China in Beijing.



**2.10** Aid flows from donor countries (in green) to recipient countries (in red), measured in US dollars per capita, 2014. The darker the colour, the more aid is transferred to or from that country. The three countries in orange (China, Indonesia and Panama) are recipient countries where the amount of aid received is less than the repayment of debts.

Source: *World Development Report, 2017*. p.267.



2.12 Types of aid to developing countries.

With the rise of a unipolar world power structure following the collapse of the Soviet Union, aid became less of a political weapon and more of an **economic instrument**. Countries advocating a global neoliberal approach to economic policy such as the United States and the United Kingdom have used slogans such as ‘trade not aid’ to justify reducing the amount of unconditional ODA they provide to developing countries to emphasise the idea that aid comes with accountability and conditions.

Surveys show that unlike some of their governments, the majority of people in high-income countries support assisting poorer countries through **unconditional grants** of aid funding. This helps explain the growth of aid through **civil**

**societies** and NGOs, including philanthropic giving through private foundations such as the Bill and Melinda Gates Foundation and celebrity fundraising events.

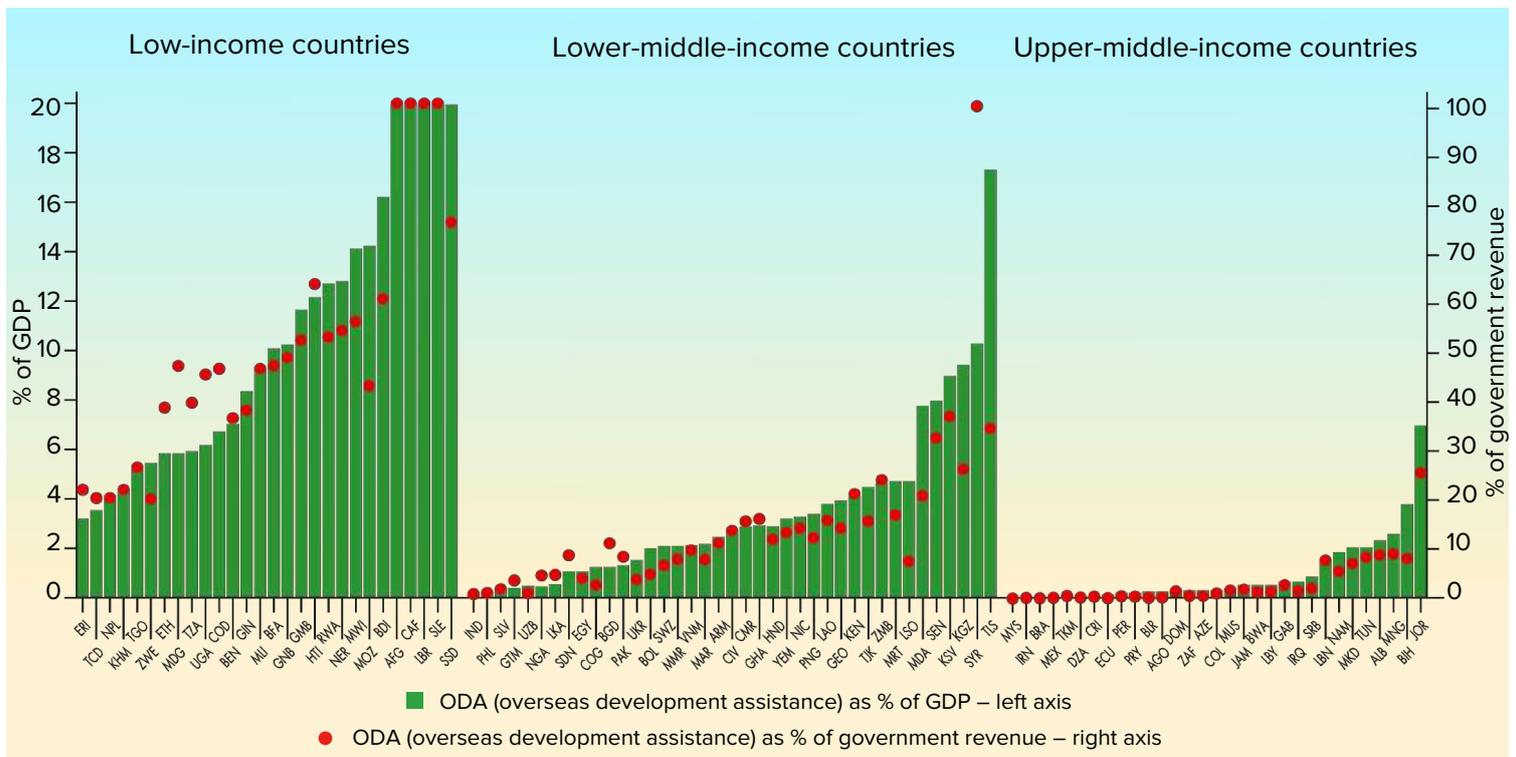
Aid to developing countries takes many forms, as shown in figure 2.12. **Government-sourced aid** is sent to developing countries by the governments of wealthier countries that have committed to policies of assisting poorer countries, either through **bilateral** (country-to-country) or **multilateral** (between many countries) agreements. As long ago as 1970, the United Nations General Assembly set the **target** for all developed countries to send ODA to developing countries at a rate of at least 0.7% of their GDP. This figure has been reiterated at international meetings and by international bodies repeatedly since that time, although even today very **few countries** manage to meet the target.

In 2017, only seven countries met the target: Sweden (1.40% of GDP), Qatar (1.24%), United Arab Emirates (1.09%), Norway (1.05%), Luxembourg (0.93%), Denmark (0.85%), the Netherlands (0.76%) and the United Kingdom (0.71%). Among the wealthy countries failing to meet the target were Switzerland (0.52%), Germany (0.52%), France (0.37%), Canada (0.28%), Australia (0.27%), New Zealand (0.27%), the United States (0.17%), South Korea (0.14%) and Russia (0.06%).

There is a key difference in aid that is given for **short-term emergencies**, such as famine or disaster relief, and **long-term aid** that is designed to



2.13 This road in the West Bank was provided for the Palestinian Authority by USAid (the United States Agency for International Development), which is the United States Government agency responsible for administering civilian foreign aid.



**2.14** Overseas Development Assistance (ODA), or aid, as a percent of GDP and government in selected developing countries, 2016. Note that the graphs show ODA from all donors to all recipients in low- and middle-income countries with a population of at least one million. Figures for ODA (percent of GDP) are capped at 20% of GDP for the sake of visualisation. The underlying uncapped data are Afghanistan, 24.1%; Central African Republic, 35.4%; Liberia, 37.0%; and Malawi, 21.8%. Figures for ODA (percent of government revenue) are capped at 100% for the sake of visualisation. The underlying uncapped data are Afghanistan, 105.2%; Central African Republic, 260.6%; Liberia, 126.0%; and Sierra Leone, 143.2%.

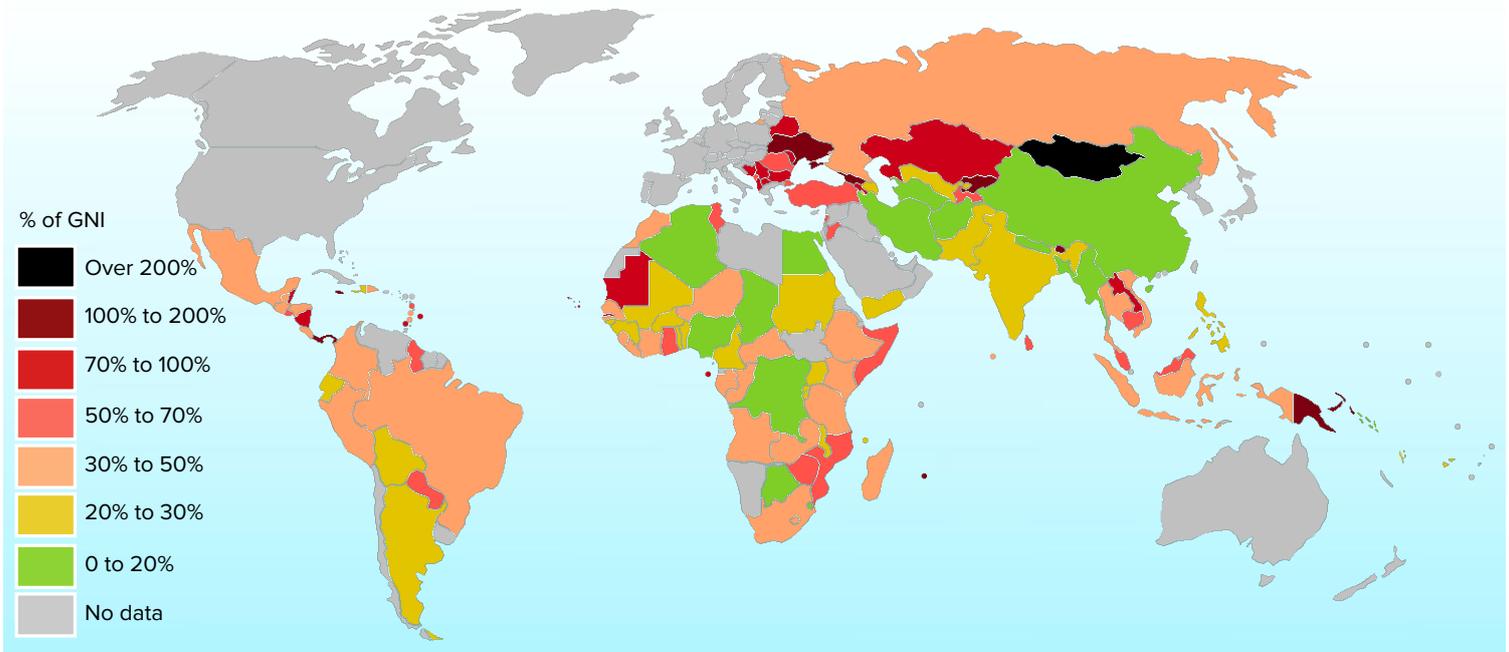
For the sake of clarity, countries in the graphs are identified by three-letter abbreviations on the x-axis as follows (left to right): ERI = Eritrea; TCD = Chad; NPL = Nepal; KHM = Cambodia; TGO = Togo; ZWE = Zimbabwe; ETH = Ethiopia; MDG = Madagascar; TZA = Tanzania; UGA = Uganda; COD = Congo (Dem. Rep.); BEN = Benin; GIN = Guinea; MLI = Mali; BFA = Burkina Faso; GNB = Guinea-Bissau; GMB = Gambia; HTI = Haiti; RWA = Rwanda; NER = Niger; MWI = Malawi; MOZ = Mozambique; BDI = Burundi; AFG = Afghanistan; CAF = Central African Republic; LBR = Liberia; SLE = Sierra Leone; SSD = South Sudan; IND = India; PHL = Philippines; SLV = El Salvador; GTM = Guatemala; UZB = Uzbekistan; NGA = Nigeria; LKA = Sri Lanka; SDN = Sudan; EGY = Egypt; COG = Congo (Rep.); BGD = Bangladesh; PAK = Pakistan; UKR = Ukraine; BOL = Bolivia; SWZ = Swaziland; MMR = Myanmar; VNM = Vietnam; MAR = Morocco; ARM = Armenia; CIV = Côte d'Ivoire; CMR = Cameroon; GHA = Ghana; HND = Honduras; YEM = Yemen; NIC = Nicaragua; PNG = Papua New Guinea; LAO = Laos; GEO = Georgia; KEN = Kenya; TJK = Tajikistan; ZMB = Zambia; MRT = Mauritania; LSO = Lesotho; MDA = Moldova; SEN = Senegal; KSV = Kosovo; KGZ = Kyrgyzstan; SYR = Syria; TLS = Timor-Leste; MYS = Malaysia; IRN = Iran; BRA = Brazil; MEX = Mexico; TKM = Turkmenistan; DZA = Algeria; CRI = Costa Rica; ECU = Ecuador; PER = Peru; PRY = Paraguay; BLR = Belarus; AGO = Angola; DOM = Dominican Republic; ZAF = South Africa; AZE = Azerbaijan; COL = Colombia; MUS = Mauritius; JAM = Jamaica; BWA = Botswana; LBY = Libya; GAB = Gabon; IRQ = Iraq; SRB = Serbia; LBN = Lebanon; NAM = Namibia; MKD = Macedonia; TUN = Tunisia; ALB = Albania; MNG = Mongolia; BIH = Bosnia=Herzegovina; JOR = Jordan.

Source: *World Development Report, 2017*. p.27.

accelerate the rate of economic development. **Short-term emergency aid** can be important in saving lives after an earthquake, tsunami, volcanic eruption or other disaster, but if it continues for a longer period of time, it can damage the recipient country's economy. For example, **food aid** can alleviate the immediate threat of malnutrition and starvation during a disaster, but in the longer term, free or heavily subsidised foods from overseas make it impossible for local farmers to remain viable as they cannot compete. In this way, food aid can destroy a country's farming sector and create a long-term, chronic dependence on imported food.

Research into **long-term development aid** suggests that aid is neither inherently good nor inherently bad for economic development. The key factors in

determining its **effectiveness** are the ways in which it is **administered** by governments in low-income countries, the extent to which government officials direct aid funds into projects that **enrich** themselves and their supporters, and the **conditions** and **strings** imposed by donor countries. One of the problems of aid is that it can build **long-term dependency** relationships between low-income countries and wealthy donor countries. Figure 2.14 shows that many poorer countries rely heavily on aid as it comprises a large proportion of their GDP and total government revenue. A significant challenge arises when governments in low-income countries rely heavily on an assured flow of ODA, as they have **few incentives** to make unpopular decisions that would build economic self-reliance, such as raising taxes to develop and expand infrastructure.



2.15 Foreign debt as a percentage of Gross National Income, 2015. Source: World Bank, International Debt Statistics.

In 2016, **aid contributed** more than 10% of the GDP for half of all the world’s low-income countries, and over 30% of total government revenues for 26 countries. For governments that have become **chronically dependent** on aid, ODA can perpetuate inefficient, corrupt or cronyistic government spending that favours the governing elite because it is seldom subjected to the rigours of debate during elections or in parliamentary debates.

Although some aid to low-income countries comes in the form of **grants** (both conditional and unconditional), much of it comes in the form of **loans**. The loans offered to low-income countries usually have **interest rates** that are lower than normal market rates, but even so, the debt burden required to repay the loans presents a serious challenge to many poorer countries. Indeed, as shown in figure 2.10, there are three countries whose annual debt repayments exceed the amount of aid they are continuing to receive (indicated as ‘negative balance recipients’).

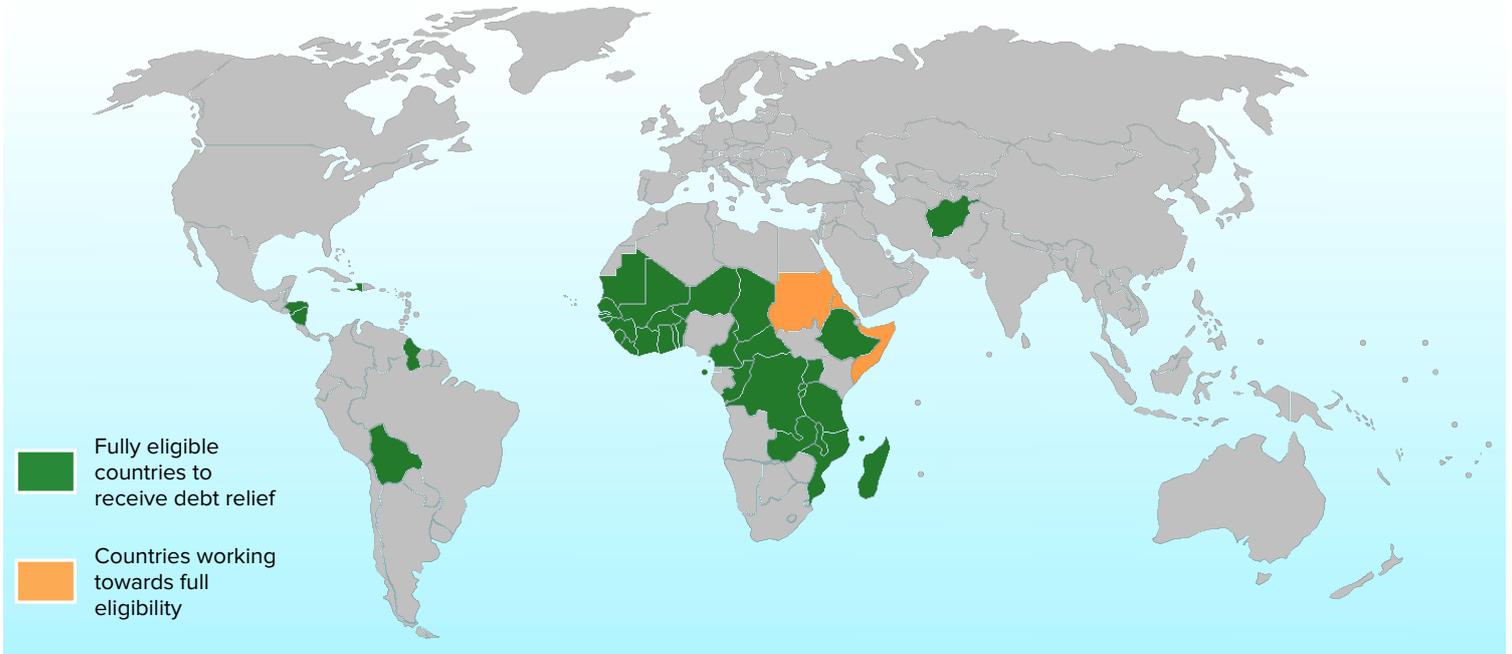
Figure 2.15 shows the **extent of debt** expressed as a percentage of Gross National Income (GNI). Several countries such as Mongolia, Papua New Guinea, Ukraine and Kyrgyzstan have more debt than their total Gross National Incomes (GNI), while many others have debt levels exceeding 50% of their GNIs. In most cases, the governments of these same countries are struggling to find the funding to provide basic services such as water, electricity, housing and road infrastructure for their

residents. Supporters of neoliberal globalisation argue that the solution to this problem is for low-income countries to **increase their exports** of goods and services for which they have a comparative advantage over other countries in terms of costs and efficiencies of production. Critics of neoliberal globalisation argue that the solution to the problem is for wealthy countries to **ease the debt burden** by lowering or eliminating interest charges, or even by **debt relief**, which is the partial or complete cancellation (also known as forgiveness) of debts.

One response to the problem of growing debt is the **Heavily Indebted Poor Countries Initiative**, launched by the IMF and the World Bank in 1996. The Heavy Indebted Poor Countries (HIPC)



2.16 Nauru Secondary School, one of only two secondary schools in the Republic of Nauru, was renovated by the Australian Government as part of its ODA program to the tiny Pacific island nation.



2.17 Countries classified as HIPCs (Heavily Indebted Poor Countries), 2018. Source: Drawn from International Monetary Fund data.

Initiative was launched in response to lobbying by NGOs that wanted to provide greater support to the world's poorest nations by ensuring that no country had to carry a debt burden that it could not manage. A total of 39 countries were found to be **eligible** for debt reduction support, most of which were in Sub-Saharan Africa (figure 2.17).

Under the initiative, US\$76 billion were allocated to fund the debt relief. In order to receive assistance, countries were required to meet certain **criteria**, including having excessively high debt levels that were unsustainable, committing to reduce poverty within the country, and establishing policies and practices that open the economy to foreign investments and the development of export-oriented industries. By 2017, 36 of the 39 HIPC

countries had met the criteria to receive full debt relief, and three others were working towards qualification.

Although the HIPC Initiative has relieved some of the pressures of debt repayments for the countries in the scheme, further funding will almost certainly be needed if the program's objectives are to be achieved. The HIPC Initiative has been **criticised** by some commentators for placing too many restrictive conditions on the HIPCs, forcing them to introduce neoliberal policies that are not widely supported within the countries.

### QUESTION BANK 2B

1. What is the difference between aid and ODA?
2. Describe the pattern of aid flow shown in figure 2.10.
3. Describe the strengths and weaknesses of short-term emergency aid compared with long-term development aid.
4. For each of the aid projects shown in figures 2.11, 2.13, 2.16 and 2.18, suggest the likely motive of the donor country.
5. With reference to figure 2.14, and quoting figures relating to specific examples, compare the reliance on ODA of low-income countries and upper-middle-income countries, first using % of GDP as a measure, and then using % of government revenue as a measure.
6. What is an HIPC? Using figure 2.17, describe the distribution of HIPCs.
7. Describe the HIPC Initiative, mentioning its strengths and shortcomings.



2.18 This sign in Ghana acknowledges foreign aid from Japan, given to upgrade a major road. Ghana is one of the 39 designated HIPCs.

## International remittances from economic migrants

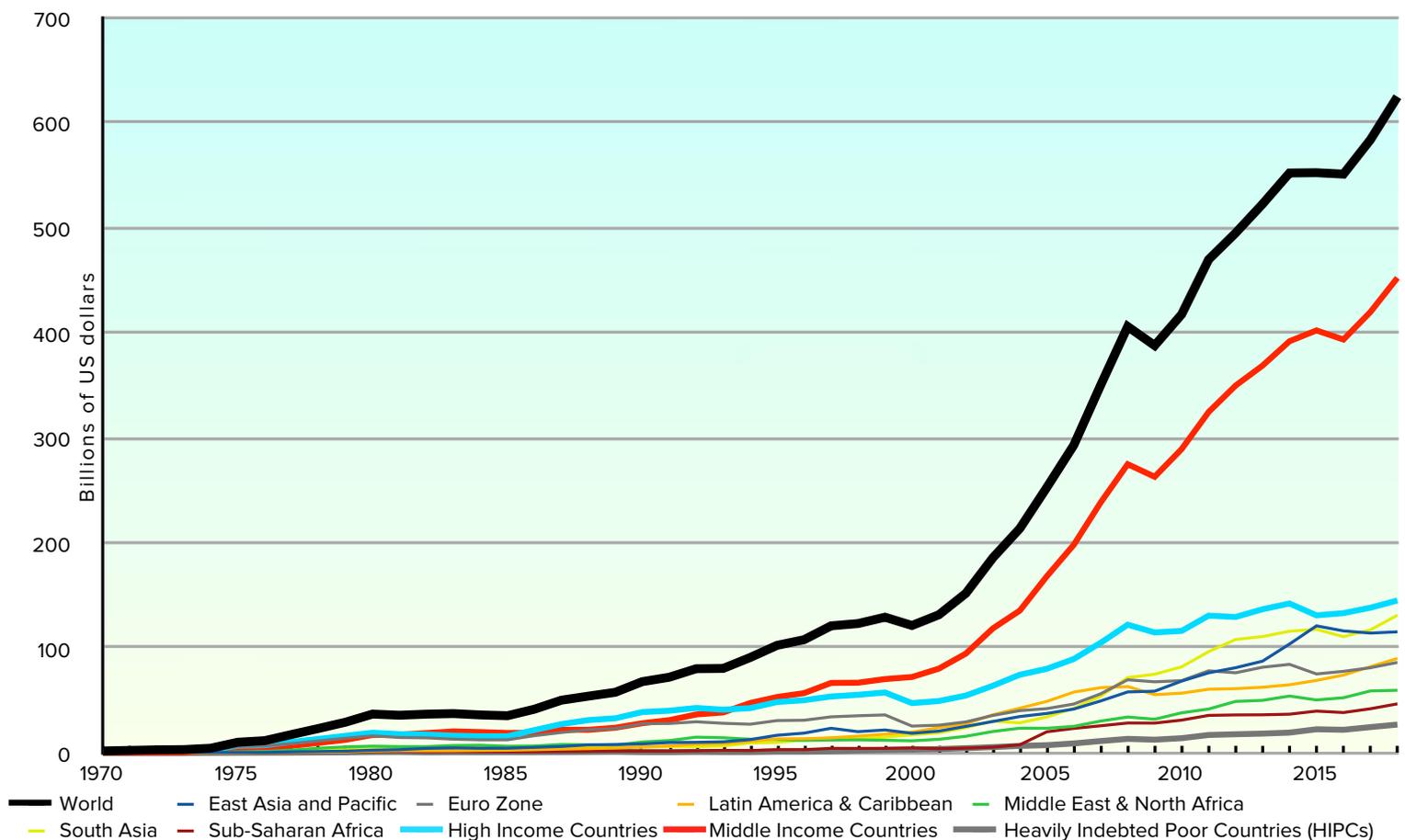
In capitalist economies that currently dominate the global economic system, **labour** plays a special and important role. Labour is a critically important component of the production process because employers can purchase labour for less money than it costs to produce other commodities for sale.

Today, more than two billion new low-wage workers are trying to sell their labour world-wide. Most of these **new industrial workers** are in factories located China and India, where they are effectively **competing** with workers employed in other countries around the world. The effect of this influx of new workers into the global economy is to place downward pressure on the wages of workers in higher cost locations where employers are competing with new factories in emerging economies. This downward pressure of wages and other conditions on a global scale is known as **downward harmonisation**. The global competition between companies not only leads to lower wages

but to lower prices for commodities and many products for consumers in all parts of the world.

Like capital, which can move freely across the world as foreign investment, labour can also move quickly from country to country provided government regulations are not too restricted. As a generalisation, however, there are more political factors (such as visas and work permits) that restrict the **movement of labour** than apply to the movement of capital. This is often because governments in most countries see **protecting employment** for their local people as an important political priority, especially where a significant proportion of the local population is unemployed. For these reasons, the rate at which labour moves internationally is usually much slower than the movement of capital.

When **labour migration** occurs, it is usually a movement of people from areas of **labour surplus** to areas of **labour deficit**. In the case of international migration for work, the general pattern is for workers to migrate from poorer areas to places where **rapid economic growth** has led to a heavy demand for labour. During the 1950s, this



2.19 International remittances from economic migrants, 1970 to 2018.

Source: Drawn from World Bank estimates based on IMF balance of payments data.

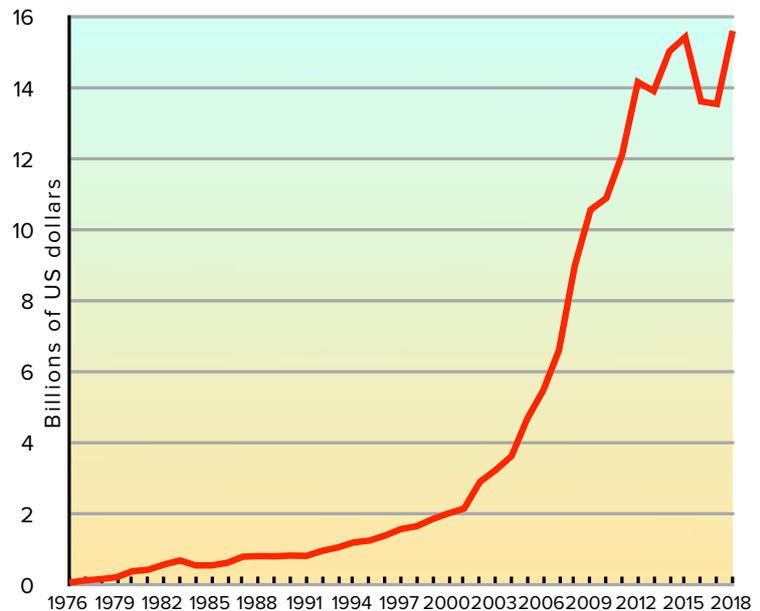
explained the large-scale migration from southern Europe to Australia, the United States and Canada. The 1970s saw a flow of labour from Africa and the Middle East to Europe. In the 1980s the major flow of labour was from developing countries in South-east Asia to 'Tiger Economies' such as South Korea, Malaysia and Thailand. Since the 1990s, there have been large-scale flows of labour from countries such as Bangladesh and India to the emerging Middle East economies such as Dubai, Qatar and Bahrain, and from North Africa, the Middle East and Turkey into Europe.

A **remittance** is a transfer of money by a foreign worker to his or her home country. Remittances play an increasingly important role in the movement of money around the world, and they are very significant sources of foreign capital in poorer nations with high numbers of workers overseas such as Bangladesh, India, China, Mexico, Nigeria and the Philippines. As figure 2.19 shows, remittances now total more than US\$550 billion annually. Of this figure, about \$420 billion went to low and middle income countries as a result of the earnings of about 230 million migrant workers world-wide. This figure exceeds the amount of foreign aid received by those same countries.

An example of a country where remittances play a very important role in the national economy is **Bangladesh**. Since the mid-1970s, Bangladesh has sent more than eight million workers overseas to about 150 countries, with the largest numbers going to nations in the Middle East and South-east Asia. As well as easing the problem of unemployment



**2.20** The export of labour is encouraged by Bangladesh's government as an important source of foreign currency earnings. Most of these Bangladeshi workers accept jobs involving manual labour.



**2.21** Remittances sent by Bangladeshi workers living overseas back to Bangladesh, 1976 to 2018. Source: Drawn from World Bank estimates based on IMF balance of payments data.

and overcrowding in Bangladesh, the remittances earned by Bangladeshi workers in foreign countries represent a significant proportion of Bangladesh's total foreign currency earnings, which is why the export of labour is actively encouraged by Bangladesh's government.

In 2018, remittances earned by Bangladeshi workers overseas totalled US\$15.56 billion, a figure that represented 5.7% of Bangladesh's total GDP, 1,600% of Bangladesh's foreign direct investment and 900% of the country's net inflow of foreign aid funds. Some idea of the rapid growth of remittances into Bangladesh can be gained when the 2018 figure of US\$15.56 billion is compared to earlier years; ten years earlier (in 2008) the figure was just US\$8.94 billion, and ten years before that (in 1998) it had been a mere US\$1.61 billion. In 1976, the figure had been just US\$18.7 million. Most of these remittances were sent directly to the families of the workers who were overseas.

### QUESTION BANK 2C

1. Define the terms (a) remittances, and (b) downward harmonisation.
2. Giving some examples over time, describe the typical direction in which economic migrants move.
3. With reference to figure 2.19, describe the trend in economic remittances since 1970 for (a) the world, (b) the HIPC's, (c) middle income countries, (d) high income countries, and (e) two other regions of your choice.

4. Quoting figures where possible, outline the importance of the inflow of remittances to Bangladesh's economy.
5. Describe the nature of Bangladesh's export of labour, mentioning the type of work performed and its main destinations.

### Illegal flows

**International migration** is growing in importance as a result of globalisation of the labour market. Although there are significant barriers to the free migration of people for the purpose of working (including the often difficult process of obtaining a work visa), growing numbers of people are migrating internationally specifically to find work. This is largely explained by improvements in transport technology and infrastructure as well as better flows of information about the work possibilities in other countries.

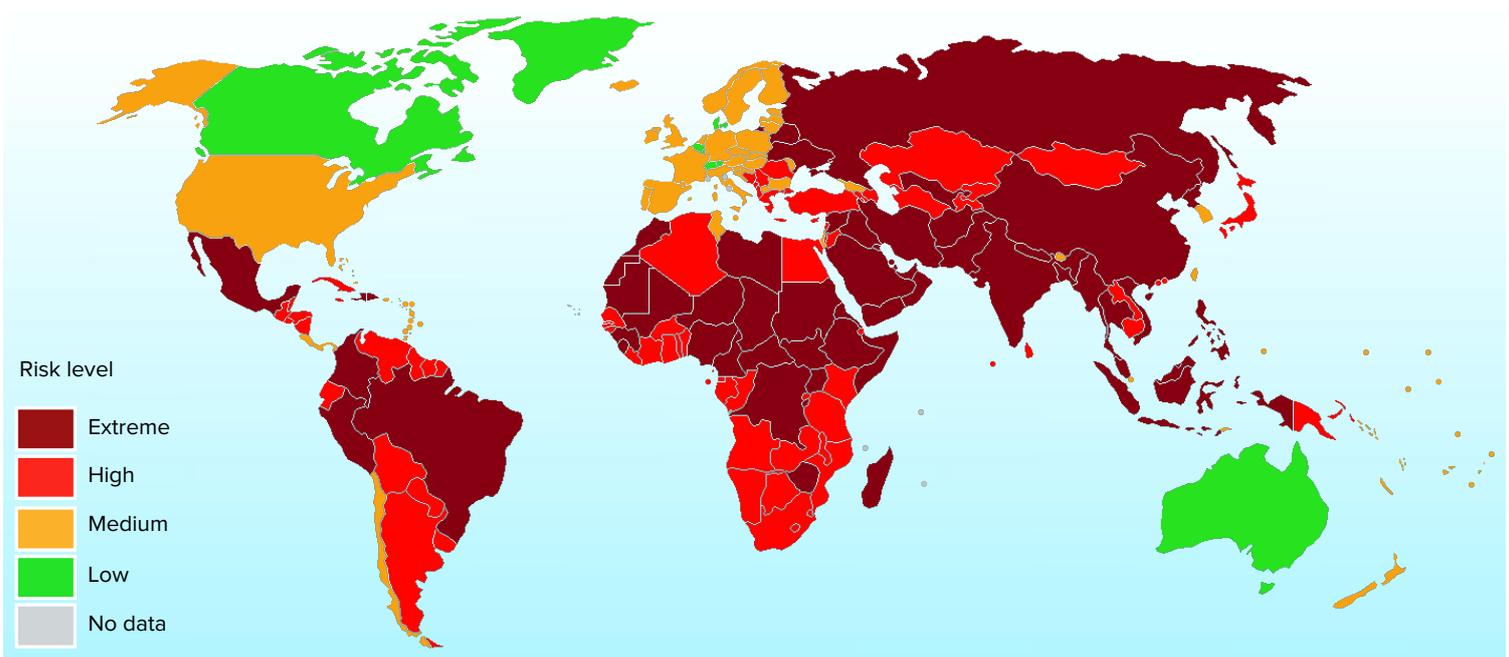
However, there are problems with this **labour flow**. Although most migrant workers enter their new workplaces with valid working visas, many others over-stay the expiry of their visas. When such workers continue to work for wages without a valid work visa, both they and their employers are acting illegally. Statistics are hard to gather on **undocumented migrant workers**, partly because different countries use different terminology (such as 'irregular immigration', 'unauthorised migration', and so on), but mainly because anyone

involved is understandably reluctant to reveal details of their situation.

According to sources such as ProCon, Clandestino, UWT (Undocumented Worker Transitions) and EMN (European Migration Network), the United States has the world's largest number of people who are resident in the country without the required legal documentation; about 3.8% of the US population is said to fit into this category. Other countries with significant numbers of residents without legal documentation include Greece (3.5% of the population), Russia (2.8%), Italy (1.1%), the United Kingdom (1.0%), and Spain (0.8%).

A less well publicised aspect of international migration is **human trafficking**. Human trafficking is defined as the trade in human beings, and it is usually regarded as a form of **slavery**. Human trafficking occurs for several purposes, such as forced labour, sexual slavery, forced marriages and organ or tissue extraction. Human trafficking is different from **people smuggling**, which occurs when someone voluntarily requests or hires another person to transport them covertly across an international border, usually because the smuggled person would be denied entry into a country through normal legal channels.

**Forced labour**, which is also termed **unfree labour**, occurs when people are employed or made to work against their will. Typically, such people work because of physical or financial threats made



2.22 The risk of forced or involuntary labour, 2018. Source: Verisk Maplecroft.

against them or members of their family. Unlike slavery in past centuries, most (but not all) forced labourers receive some payment, but it is either at **subsistence level** or it is simply the progressive cancellation of an **outstanding debt**. In most cases where forced labourers have been moved to a foreign country, their **passports** are confiscated to prevent their escape.

**Sexual slavery** and **sexual exploitation** are probably the most common reasons that human trafficking occurs. Human trafficking for sexual slavery or exploitation occurs when girls (and a significant though smaller number of boys) are either **kidnapped** or **sold** into prostitution. In low-income countries, girls may be sold by their poor, struggling families to earn money that they believe is necessary to survive, but in high-income countries, victims of sex trafficking are more commonly recruited online. In 2017, the ILO (International Labour Organisation) estimated that 4.5 million people were working against their will for sex traffickers.

Human trafficking for **sex slavery** can involve girls as young as nine or ten years of age, and is also often associated with drug dealing and money laundering. **Thailand** is one major centre of human trafficking for sex slavery, with young girls being bought from their impoverished families in Laos and Cambodia, or Eastern European countries such as Ukraine, Russia, Belarus and Moldova, and transported to Thailand. Those from Laos and Cambodia are often uneducated or illiterate, while those from Eastern Europe may be tricked into moving to Thailand for modeling or similar work,

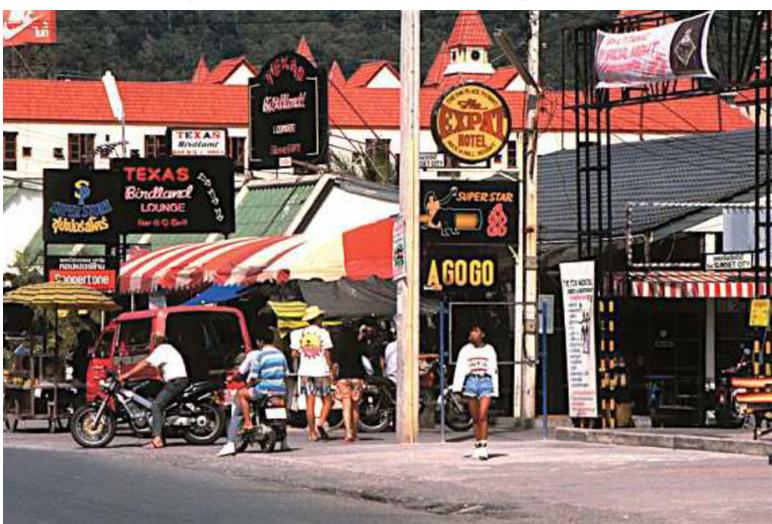
not knowing they are destined for the sex trade. After arrival in Thailand, the girls are forced to work in tourist areas, such as the Patpong district of Bangkok or beach resorts such as Pattaya and Phuket, after having their passports confiscated by their 'employers'. Others are forced to work in brothels along Thailand's border areas with Myanmar and Laos. Some of the girls are later moved on from Thailand to work in other places such as southern Malaysia, Bahrain, the USA and western Europe.



2.24 This anti-trafficking poster in Kyiv, Ukraine, reads "Human life is not for sale".

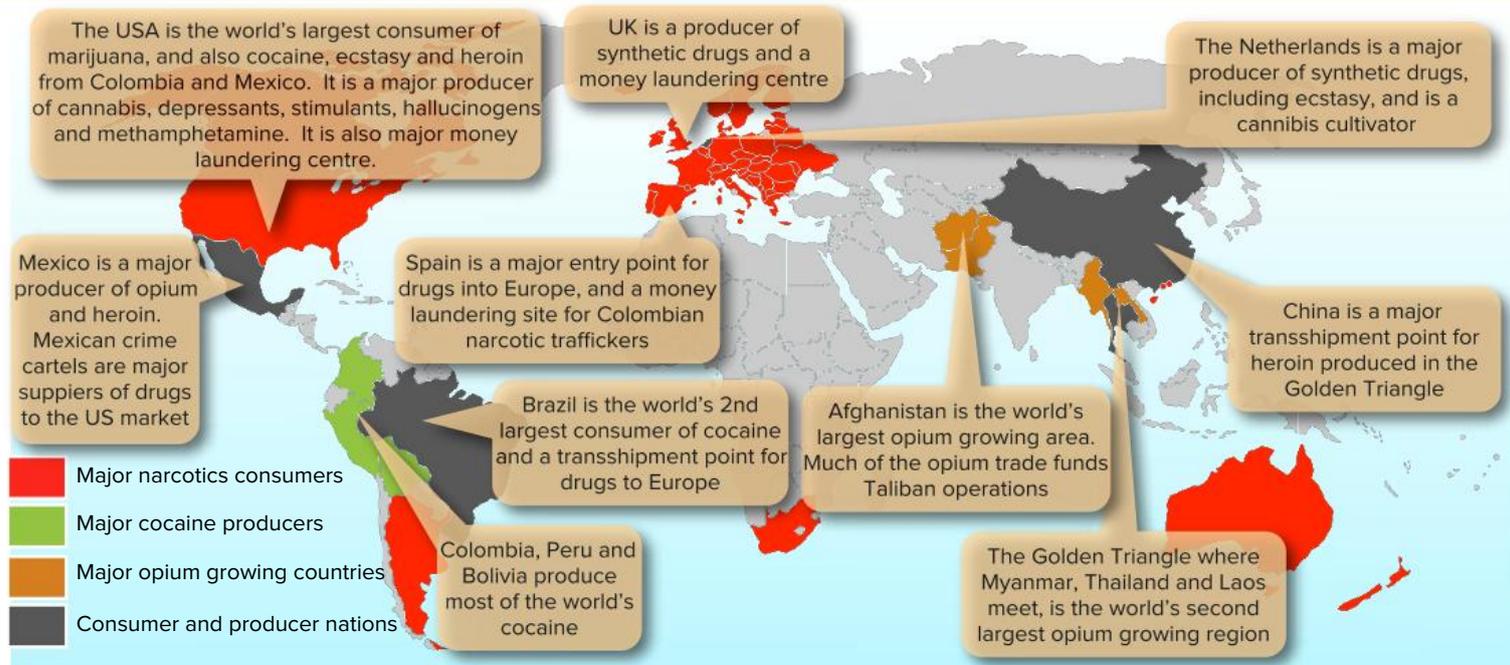


2.25 A social worker speaks with young women passing a 'Children are Not For Sale' awareness campaign in Milwaukee, Wisconsin, USA. The anti-trafficking signage is mounted in a vending machine to emphasise the campaign message.



2.23 A young prostitute (wearing blue shorts) seeks work outside a hotel frequented by foreign tourists in the beach resort town of Phuket, Thailand.

**Narcotics**, which are illegal, addictive drugs that affect mood or behaviour, are another flow of illegal trade across national borders. According to an academic paper written by Khaled Alasmari in 2013, the **value** of the global illegal drug trade is about 10% of the world's total GDP, but none of this is recorded in official documents. Narcotics



2.26 International flows of illegal narcotics.

trafficking is one of the largest black market enterprises in the world because of the **high profits** that can be made by traffickers who don't get caught. For those who do get caught, the consequences are long **prison** sentences, or in several countries, death by **execution**.

There are **three main types** of narcotics, each of which originates in a different part of the world. **Opiates**, which are drugs derived from the opium poppy, originate from the opium growing areas of the **Golden Triangle** (Myanmar, Laos and Thailand) and the **Golden Crescent** (Afghanistan and Pakistan). The second group of narcotics, **cocaine**, is produced from the leaves of the coca plant. The coca plant is a native to western South America, and so all the world's cocaine originates in **Colombia, Peru and Bolivia**. The third group of narcotics is **ATS** (amphetamine-type stimulants). This group includes drugs such as ecstasy and methamphetamines, and they are made in various places across the world. Major centres of production include the **United States, Europe** and many parts of **Asia**. ATS are a growing global problem because they are **difficult to control**, being manufactured easily and cheaply in home kitchens from the main ingredient in widely available cough medicines, pseudoephedrine.

Trading in harmful narcotics has a long history, and indeed trade in opium in the 1800s led to war between Britain and China. Figure 2.26 and table 2.1 describe the **flows** of illegal narcotics today. The

**largest international movements** of narcotics are from low-income countries, where opium and cocaine are grown, to high-income countries where people have excess disposable income to spend on narcotics. Most of the **profits** of the narcotics trade are taken by the smugglers and the sellers, with only a minute proportion of the selling price trickling back to the growers in Asia and South America. The large profits available in the illegal narcotics trade have encouraged **crime cartels** to get involved, and much of the international flow of drugs in South America and parts of Asia is now controlled by cartels. These cartels supplement their profits by collecting taxes, tolls, hush money and protection fees from others involved in the trade.

The large scale of the global narcotics trade is having several **negative impacts** on the economies and social structures of many countries:

- The effects of using of illegal narcotics, and trading in illegal narcotics, damage the ability of a country's workforce to contribute meaningfully in **productive activities** and destroy the **relationships** that enable society to function.
- Countries where the use of illegal narcotics is high have **higher crime rates** as addicts struggle to find the means to support their dependence and trading cartels fight among themselves for market share.

## Chapter 2 - Global networks and flows

Table 2.1

International flows of illegal narcotics

Region	World-wide production			World-wide consumption				Trade
	% of world-wide cultivation	% of world-wide manufacture	Details of production	% of world-wide opiate consumption	% of world-wide cocaine consumption	% of world-wide ATS consumption	Details of consumption	
North America	-	-	ATS are produced for the home market.	8%	28%	8%	Largest cocaine consumption in the world; ATS use increasing.	Mexican mafias are heavily involved in smuggling drugs across the US border or via the Pacific.
Central America	Mexico 10%	Mexico 9%	Opium for North America.	-	2%	1%	Drug consumption is on the rise.	One of the axes of the South American cocaine trade supplying Europe. Small planes, couriers and cargo ships transport the products.
South America	Colombia 40% Peru 40% Bolivia 20%	Colombia 52% Peru 35% Bolivia 13%	Almost all the world's cocaine comes from Colombia, Peru and Bolivia.	1%	12%	3%	Increasing consumption of cocaine and ATS.	Trade passes through all countries in the region. Venezuela and Brazil are stopover points for deliveries to Africa and Europe.
Western and Central Europe	-	-	Large market for amphetamines. Methamphetamines are mainly produced in small factories in the Czech Republic, Slovakia and Germany.	6%	26%	6%	Cocaine consumption remains at a high level, and consumption of opiates and ATS are rising.	Major global market for drugs, extensive intra-Europe smuggling.
Eastern and South-eastern Europe	-	-	ATS are produced in most countries.	11%	3%	3%	Greater consumption of opiates due to proximity to trade routes.	Delivery of opiates to Western Europe, cocaine is smuggled from Africa to Central Europe through this region.
Africa (except southern Africa)	-	-	Insignificant production.	14%	18%	10%	Increasing use of ATS.	Transport route to Europe, but becoming less relevant as controls tighten. Powerful cartels in Nigeria regulate sales in Africa and the trade to Europe.
Southern Africa	-	-	Insignificant production.	1%	4%	1%	Increasing consumption of ATS.	Routes to North Africa and Europe.
Near and Middle East	Afghanistan 63% Pakistan 1%	Afghanistan 74% Pakistan 1%	Opium production mainly in Afghanistan. Heroin is manufactured in most countries to meet European demand.	17%	3%	5%	High consumption of opiates due to proximity to source. Rising consumption of ATS.	Main trade route for opium and heroin, cartels from almost 20 countries are involved.
Rest of Asia	Myanmar 20% Laos 2%	Myanmar 12%	ATS are produced almost everywhere. Myanmar is the world's second-largest producer of opiates.	41%	8%	61%	Largest world-wide consumption of ATS and opium.	Large internal ATS market, some opiates from Myanmar and Laos are shipped across the Pacific.
Oceania	-	-	ATS production for local markets.	-	2%	2%	Increasing consumption of ATS.	Insignificant.

Source: Based on information in Andrew Losowsky (ed.) (2013) *Around the World: The Atlas for Today*. p.203.

- Countries that are used as **transit routes** for narcotics trafficking have increased rates of **addiction** as drugs are used to pay for services rendered. Mexico is one such country, as it is a

major transit route for narcotics from South America to the United States and Canada. For opiates from Afghanistan and Myanmar, there are two main smuggling routes. A **northern route**

goes through China, Tajikistan, Kyrgyzstan and Russia into Europe, while a **southern route** passes through Pakistan, Iran, Turkey, Greece and Bulgaria into Europe.

- There is a trend for young people in countries with high rates of narcotic trafficking to **drop out of school** in the hope that drugs trading can result in large, quick income. This has the effect of **lowering the quality** of the country's skilled and educated workforce as well as diverting workers from productive activities into the ultimately **unproductive** drugs trade that adds nothing to national economic development.
- The use of illegal narcotics, and especially drugs that are taken intravenously, raises the rates of **infectious diseases** such as HIV and other health-related issues. These health issues add a direct cost for additional **health care** required to treat the health conditions, and also lower the **productivity** of the workforce.
- Countries that import large quantities of illegal narcotics lose large amounts of **foreign currency**, which can require governments to make adjustments to the **exchange rates** to maintain economic stability. When currencies become over-valued, the exports of those currencies become **less competitive** internationally, further exacerbating the negative economic impacts of illicit narcotics trading.
- The international narcotics trade encourages large-scale **money laundering** to prevent the tracking of illegal activities. Money laundering refers to disguising the source of money obtained

by illegal or questionable means by passing it through an institution such as a bank or gambling casino that breaks the link with the money's origins. Major money laundering centres include Macau, Russia, Panama, Monaco, the United Kingdom, Israel and Liechtenstein. Money that has been laundered is commonly used for investments in real estate developments and infrastructure investments, giving such projects an insecure, unreliable financial foundation that may be withdrawn at short notice.

**Counterfeit goods** are products, often of inferior quality, that are copied to resemble more expensive branded goods and sold without the brand owner's authorization. Counterfeit goods are illegal because they violate patents and international copyright laws. When counterfeit goods do not use specific brand names but imitate a brand-name product in every other way to confuse a potential buyer, they are colloquially known as **knockoff products**. Another form of counterfeit goods are **pirated goods**, such as music, videos, computer software and even school textbooks, which are copied and distributed illegally without the copyright owner's permission.



**2.28** This kerbside retailer in Kumasi, Ghana, is selling counterfeit fashion shoes that were made in China.

Like narcotics, counterfeit goods move across international borders along **well-established routes** from their point of manufacture (often China), through free-trade zones that are loosely controlled (such as Dubai), then through other intermediate countries before arriving at their final destination, which is often the United States. In the case of pirated videos and software, Russia and Ukraine



**2.27** A large road sign in Pago Pago, American Samoa, that is designed to discourage illegal drug use among young people.

are often the source countries, and trade is handled over the **internet**, which is more difficult to regulate and is a faster way to distribute goods.

**Free trade zones** play a key role in the illegal trafficking of counterfeit goods, as well as narcotics and even human trafficking. Free trade zones, which are also called **foreign trade zones** and **free ports**, are geographical areas where goods may be landed, handled, manufactured, processed and re-exported without any customs regulations, duties or taxes. They are usually located around seaports, airports and near national borders, and they have been successful in boosting foreign trade for the countries that have them, such as Brazil, China, Colombia, India, Indonesia, Mexico, the United Arab Emirates, and many other developing countries.



**2.29** Pirated DVDs and CDs on sale in streetside stalls in Yangon, Myanmar.

Free trade zones provide traffickers of counterfeit goods (and other illegal products such as narcotics and armaments) with efficient, easy transit points for their trafficking operations as the goods do not officially enter the country, and thus **escape inspection**. A raid on a free trade zone in Dubai revealed a pathway of counterfeit medicinal drugs that were manufactured in China, transported through Hong Kong to Dubai, and then shipped to the United Kingdom, and onwards to the Bahamas and then finally to an internet seller who marketed the drugs to US buyers as drugs manufactured in Canada. Each step in the international movement of the counterfeit goods obscures the illegal origins of the products, making them more and more **difficult to detect** and stop. It would be physically and economically impossible to conduct serious

inspections of the cargo of every ship and aircraft travelling in the world. Estimates suggest that only about 5% of international cargo is inspected, even in normal ports and airports outside free trade zones. Counterfeit drugs are notoriously hard to detect, especially when they are mixed with legitimate medicines, which helps explain why the trade continues to expand.

### QUESTION BANK 2D

1. What is the difference between human trafficking and people smuggling?
2. Using figure 2.22, describe the broad world pattern of risk of forced or involuntary labour.
3. Quoting figures, describe the scale, or extent, of sex trafficking.
4. Describe and suggest reasons for the routes taken by human traffickers.
5. Where are the source regions for the three main types of illegal narcotics?
6. On a blank world map, use the information in table 2.1 and figure 2.26 to draw the main routes used to transport illegal narcotics from their source regions to their destinations.
7. Outline the negative impacts of the global narcotics trade.
8. What are counterfeit goods, and why are they illegal?
9. Why are free trade zones important for illegal trade in counterfeit goods, narcotics and armaments?
10. On another blank world map, draw the major routes used to transport counterfeit goods from the sources to their destinations.

## Foreign direct investment and outsourcing by TNCs

A **transnational corporation** (TNC) is a for-profit enterprise that is registered, or operates, in several (or even many) different countries using a system of decision-making that allows coherent policies and common strategies. Transnational corporations are sometimes also known as **multinational enterprises** (MNEs), and they are different from **multinational corporations** (MNCs), which are national companies (based in one country) that have foreign subsidiaries.

TNCs have the capacity to **co-ordinate** and **control** operations in more than one country, even if they

do not own the factories or pay the foreign workers directly. The fact that they are **for-profit organisations** differentiates them from other significant global organisations such as non-governmental organisations (NGO), civil societies, international organisations and nation-states.

Transnational corporations are not a new phenomenon. The first TNCs were established in the early 1500s as imperial trading companies by European powers as they expanded their empires. **Early examples** include the British East India Company (established in 1600) and the Dutch East India Company (1602). These early TNCs were closely linked to their governments, and in some cases, they were established by Acts of Parliament. Their focus was on expanding trade with areas on the periphery of global power that later became their colonies with the aim of making profits for shareholders in Europe.

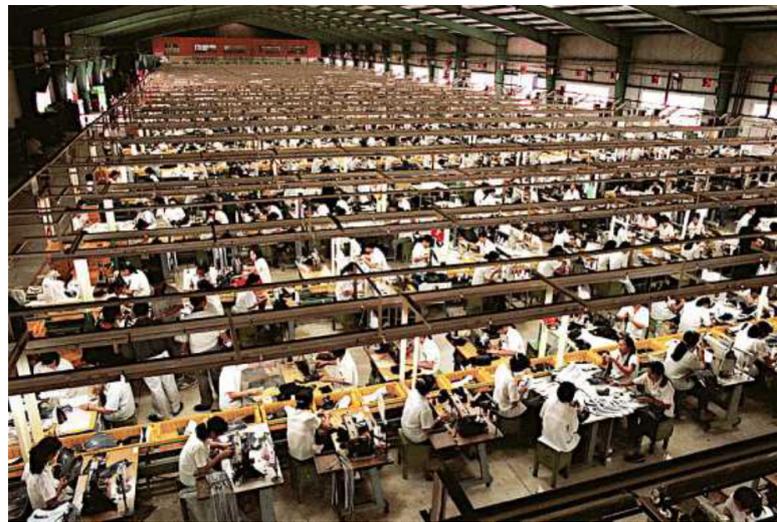
Transnational corporations began to grow in number more rapidly from the early 1900s. In 1900, the United States had about 50 companies with overseas operations, but by 1913 this number had grown to 116. Early examples of the expansion of TNCs were **Ford** (a US-based car manufacturer), which established factories in Europe in the 1920s, and **BP** (British Petroleum), which began operations in Iran in 1901.

By 1970, the number of TNCs had grown to 7,000. The number had grown to 30,000 by 1990, 78,000 by 2006 and is now estimated to be about 100,000. It is estimated that they employ about 90 million people, have combined assets amounting to about US\$75 trillion and sales amounting to about US\$37 trillion. To place these figures in perspective, the estimated GDP for all the world's countries in 2018 amounted to US\$85.8 trillion.

Only about 200 of TNCs control the bulk of world trade. The **growing influence** of these top 200 TNCs is shown by their increasing share of world Gross Domestic Product, which has increased from 17% in the mid-1960s to 24% in 1982, 33% in 1995 and about 48% today.

Transnational corporations often have a wide-ranging **impact** in many countries, taking their production methods into a variety of economies and cultures. For example, Nike, the athletic footwear marketer, used to own manufacturing

plants in the United States and United Kingdom, but presently subcontracts 100% of its production capacity to suppliers in South, South-east and East Asia. The geography of Nike's production partnerships has evolved over time, a change powered in part by changing labour costs in Asia. Initially, production of Nike shoes took place in Japan. Soon, subcontracting agreements diffused factories in South Korea and Taiwan. Presently, those partnerships are diminishing in importance as labour costs rise and new networks of **subcontractors** become established in Indonesia, Vietnam, Malaysia and China where workers involved in shoe production are paid about one-thirtieth of the wage their counterparts make, working for other companies, in the United States.



**2.30** A factory on the outskirts of Ho Chi Minh City, Vietnam, producing shoes for Nike Inc.

For many TNCs involved in manufacturing, the attraction of operating in developing countries is **low labour costs**. Ironically, the attraction of TNCs involved in retailing (such as Walmart) to the same countries is the **increasing wealth and spending power** of the population as the economy grows and develops. Because of the widening gap between rich and poor in many developing countries, it is seldom the same people who would, for example, eat in an American fast food outlet in China as would work in an American shoe factory in China.

From a host country's perspective, TNCs bring both advantages and disadvantages. On the **positive side (advantages)**, TNCs provide **jobs** for local people, and sometimes these jobs increase the **technical skills** level and **educational** opportunities for the local population. TNCs tend to operate at a larger size than many local companies, and this can



**2.31** Although it has declined in relative importance in recent years, the United States remains the world's largest investor in foreign countries. This photo shows an example of American investment in China — a Walmart retail outlet in the Chinese city of Shenzhen. Walmart is the world's largest retail chain. It is also the world's third largest public corporation and the biggest private employer in the world with more than two million employees.

bring **economies of scale** and thus **lower prices** for the local population. TNCs often have the effect of **developing resources** that would otherwise remain unexploited because of the high costs of exploration and mining; this is especially the case where expensive capital equipment is needed to achieve economically viable production. Another benefit that TNCs are said to bring to local consumers is **higher quality goods**, or goods with a more predictable quality level. This is because TNCs usually have common quality control standards throughout their operations, wherever they occur in the world.

On the **negative** side, TNCs are also said to bring significant **disadvantages** for local populations. With some justification, it is claimed that the main priority of TNCs is maximising the profit level for its shareholders rather than looking after the **welfare** of the local population. This becomes especially significant when it is remembered that a significant proportion of TNC **profits are remunerated overseas**. Because TNCs tend to be larger and more powerful than local firms, TNCs often **dominate** the markets in their host countries, and local firms may find it difficult to compete (especially as they often lack the economies of scale that TNCs enjoy).

The powerful position in which TNCs find themselves means that have the potential to exploit

local workers by forcing **wages** down to very low levels, and they may even replace local workers with capital intensive **machinery**. TNCs sometimes make use of their own supplies of natural resources, **importing resources** such as minerals and fuel rather than supporting the local economy for these needs. In cases where local resources are purchased, TNCs may use their economic strength to obtain **lower prices** than local firms are able to obtain, although in other cases, TNCs drive up the **demand** for resources, and thus raise the prices.

Some TNCs have been criticised because they do not apply the same stringent **environmental standards** for pollution to their overseas operations that they tend to apply (or are forced to apply) in their home countries. Furthermore, the fact that TNCs operate in several countries means they are able to **minimise their taxation** payments to governments. This is done by **shifting profits** through manipulation of the income and expenditure in various countries' operations. In this way, TNCs can maximise their profits in countries with low taxation rates, and declare losses in high tax environments.

The question of whether TNCs bring more benefits or more costs is a very complex one that probably depends on individual case-by-case analyses. For example, although TNCs pay lower wages to workers in many of their overseas operations than they pay in their home countries (and sometimes these low wages are said to be almost at 'slave labour' rates), many local people believe that earning a **low wage** is better than being **unemployed**, which would be their only alternative. Criticisms of TNCs in the global press have resulted in improvements in **workers' conditions**, although these tend to apply mainly to a few high profile (and thus very large) TNCs.

Transnational corporations strive to create **sourcing efficiencies** by seeking out locations where environmental and labour regulations are fairly loose, reducing production costs, improving their products, speeding up the production process, and creating a global supply chain that obtains inputs as cheaply as possible. Implementing sourcing efficiencies has led most TNCs to engage in **offshoring**, which means moving production overseas to countries where costs can be minimised. In many cases, TNCs place **pressure on**

**governments** in these low-cost locations to be compliant and make concessions for the company, such as lowering **taxation rates** or loosening **labour regulations**, under the guise of **creating local jobs** and thus **boosting the economy**.

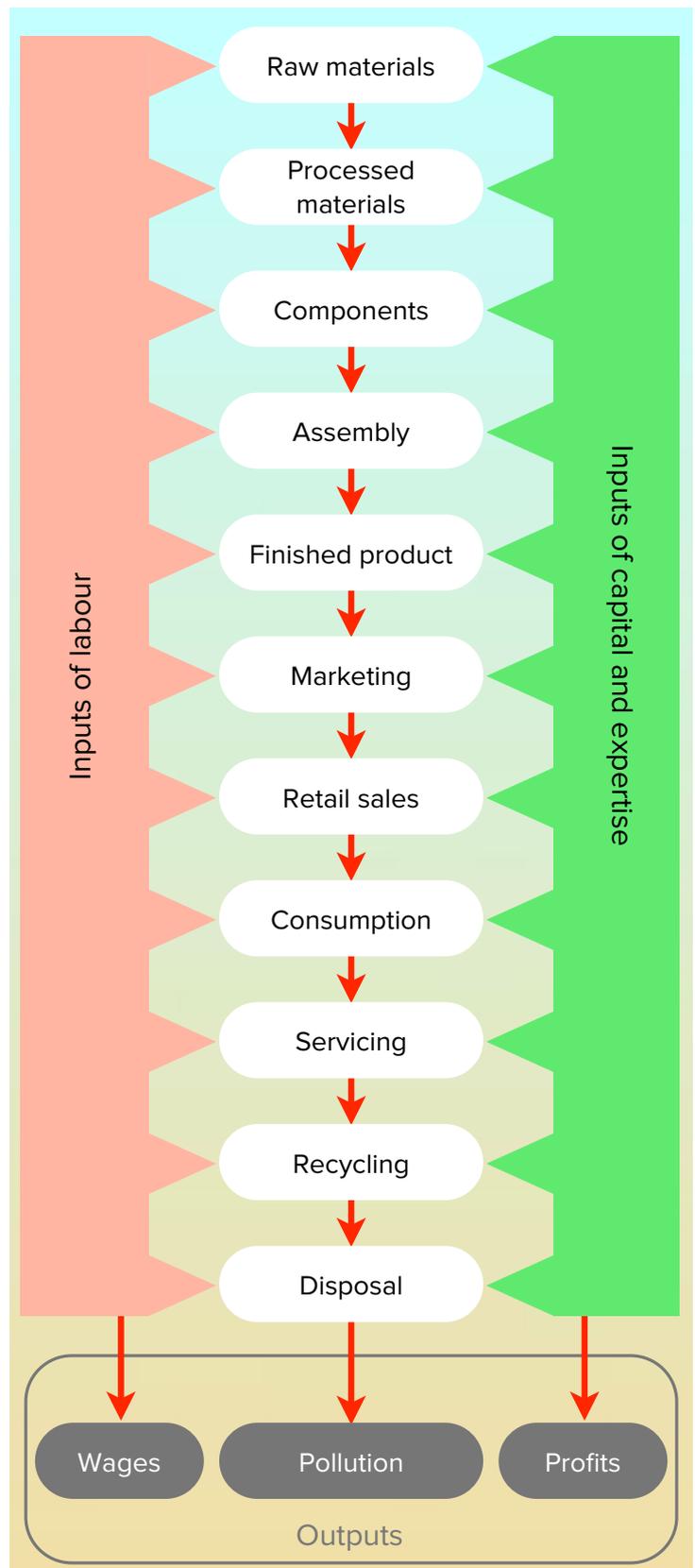
Some commentators view sourcing efficiencies as a form of **exploiting workers**, and even exploiting the governments in developing countries. They quote evidence of little protection for workers' rights and wages that are barely above subsistence levels. TNCs have the flexibility to exploit differences between countries by **relocating** elsewhere (or **threatening** to relocate) if they believe another country offers cheaper land, easier importation of raw materials, lower taxes, more flexible labour laws or more pliable regimes.

Transnational corporations use **two main strategies** to operate internationally:

- **Foreign direct investments (FDI)** occur when a TNC makes an investment of funds into a foreign country. FDI can take **two forms**. One approach is known as **greenfield investment**, which occurs when a TNC establishes a **new business operation** from the ground up. The second approach is to **acquire** another business by taking over its operations and assets. This is known as M&A (**merger and acquisition**) investment. Sometimes, TNCs can engage in a **mix** of the two approaches, such as when the US retailer Walmart expanded into the United Kingdom by purchasing the existing retail chain ASDA, but also building Walmart-branded outlets.
- **Outsourcing** involves paying an overseas firm to **perform work** in the name of the TNC. This would occur if, for example, Nike pays a locally-owned factory in a developing country to make its shoes under a formal agreement, and Nike then buys the shoes for re-sale. Some TNCs like outsourcing because it is highly **flexible**, enabling production to be shifted from one local supplier to another very quickly and easily. Furthermore, outsourcing is very **hard to track**, and it thus enables their foreign operations to be conducted in an almost **invisible** manner. This has the benefit of allowing TNCs to claim, for example, they are not guilty of employing child labour because they do not own the factories where it happens, thus providing the TNCs with high

profits while avoiding the responsibilities they would face as an employer in their home country.

Transnational corporations organise their global production through **supply chains**, which are also known as **commodity chains** or **value chains**.



2.32 Stages in a typical supply chain, showing major inputs and outputs.

Supply chains organise the movement of materials from the raw material sources through the stages of production through to the transport, sale and consumption of the product. At each stage of the supply chain, there are **inputs** of labour, capital and expertise, and at the end of the supply chain there are **outputs** which include wages, profits and pollution (figure 2.32).



**2.33** Evidence of an in-house supply chain. This factory in Shenzhen, China, is one of several factories that are owned and operated by Volex, a subsidiary of the British electrical accessories firm Electrium, which in turn is owned by the German transnational conglomerate, Siemens. Other Volex manufacturing plants are located in the UK, India, Indonesia, Mexico, Poland, Vietnam, and elsewhere in China (Suzhou and Zhongshan).

There are **five models** that different TNCs use to organise their global supply chains, and these are described in table 2.2. At the lowest level of interaction with the wider economy is the **in-house model** of supply chain organisation. Also known as **vertical integration**, the in-house model keeps as many aspects as possible of production, distribution and sales within the one company. This used to be the preferred model of operations for most TNCs because it retained **tight control** of co-ordinating the complex processes involved in production, as well as **protecting the funds** invested and the **intellectual property**. In-house and captive-supplier supply chains were therefore traditionally the most common types of supply chain organisation among TNCs, which explains why 45% of global trade today is still **intra-corporate** (within the corporation).

In recent years, however, there has been a shift towards **marketised supply chains**, which are also

**Table 2.2**

Five types of supply chain organisation

Type of supply chain organisation	Characteristics	Examples
In-house	Most of the supply chain is kept within the one company.	Boeing (before recent changes to increase outsourcing).
Captive-supplier	The lead firm strictly controls key suppliers through tight contracts.	IBM (before recent changes to increase outsourcing).
Modular	The lead firm sets standards for modular components, but sub-contracts out their production.	Dell, Fiat.
Relational	Outsourcing co-ordinated by family networks, long-term friendships and historic business groupings.	Cheung Kong Holdings.
Marketised	Outsourcing is fully mediated by competitive open market bidding amongst vendors.	Products produced for firms such as Nike and Wal-Mart.

Source: Adapted and updated by Matthew Sparke (2013) from Gary Gereffi, John Humphrey and Timothy Sturgeon (2005) 'The Governance of Global Value Chains', *Review of International Political Economy*, 12(1): 78-104.

known as **flexible networks**. In this model, control and co-ordination of supply chains is achieved through the **market mechanism** at every stage of the process, from the purchase of raw materials right through to selecting buying agents and trading companies to sell the goods produced. The **implications** of the shift to marketised supply chains include:

- an increase in **outsourcing** (obtaining goods or services by contract from outside suppliers)
- an increase in **offshoring** (basing some or all of a company's processes or services overseas)
- increased demand for **sourcing efficiency**, which leads in turn to:
  - ▶ increased corporate profits, reinvestment and expansion
  - ▶ delinking corporations from particular countries and communities
  - ▶ downward harmonisation of workers' wages
  - ▶ downward harmonisation of the quality of working conditions
  - ▶ downward harmonisation of pensions and benefits

- Offshoring and outsourcing make it more **difficult for consumers** to know where and how commodities were made as supply chains are largely **invisible** to consumers. The effort to see through supply chains has led to a rise in **activism** to make consumers more aware, and a rise in **corporate social responsibility** such as supplier codes of conduct, certification programs and social and environmental accounting.

### QUESTION BANK 2E

1. Define the term 'transnational corporation'.
2. Using relevant figures, describe the importance of transnational corporations in the world today.
3. On balance, do you think TNCs are a positive or a negative factor for the countries in which they operate? Provide specific examples to support your answer.
4. What is meant by the term 'sourcing efficiencies'?
5. What is the difference between FDI and outsourcing?
6. Describe the concept of supply chains.
7. Explain the difference between the five types of supply chains used by TNCs.
8. What are the implications of the shift by TNCs away from in-house supply chains to marketised supply chains?

### CASE STUDY

#### Apple

In recent years, **mobile phones** have become an integral part of the lives of people in all parts of the world. Mobile phones are not only commonplace in high-income countries where fashion-conscious or tech-savvy consumers upgrade their phones annually or biennially, but in low-income countries where mobile phones offer cheap communications in areas where landlines are scarce and expensive. However, in the words of [phonestory.org](http://phonestory.org), "When you buy a gadget, you aren't only buying the sleek image the company's advertising team worked so hard to create, you are also buying the whole line of production used to create it".

**Apple Inc**, a US-based transnational technology corporation, is one of the world's largest manufacturers of mobile phones. Apple was founded by two young computer enthusiasts, Steve Jobs and Steve Wozniak, in 1976 to develop and sell personal computers that they had developed

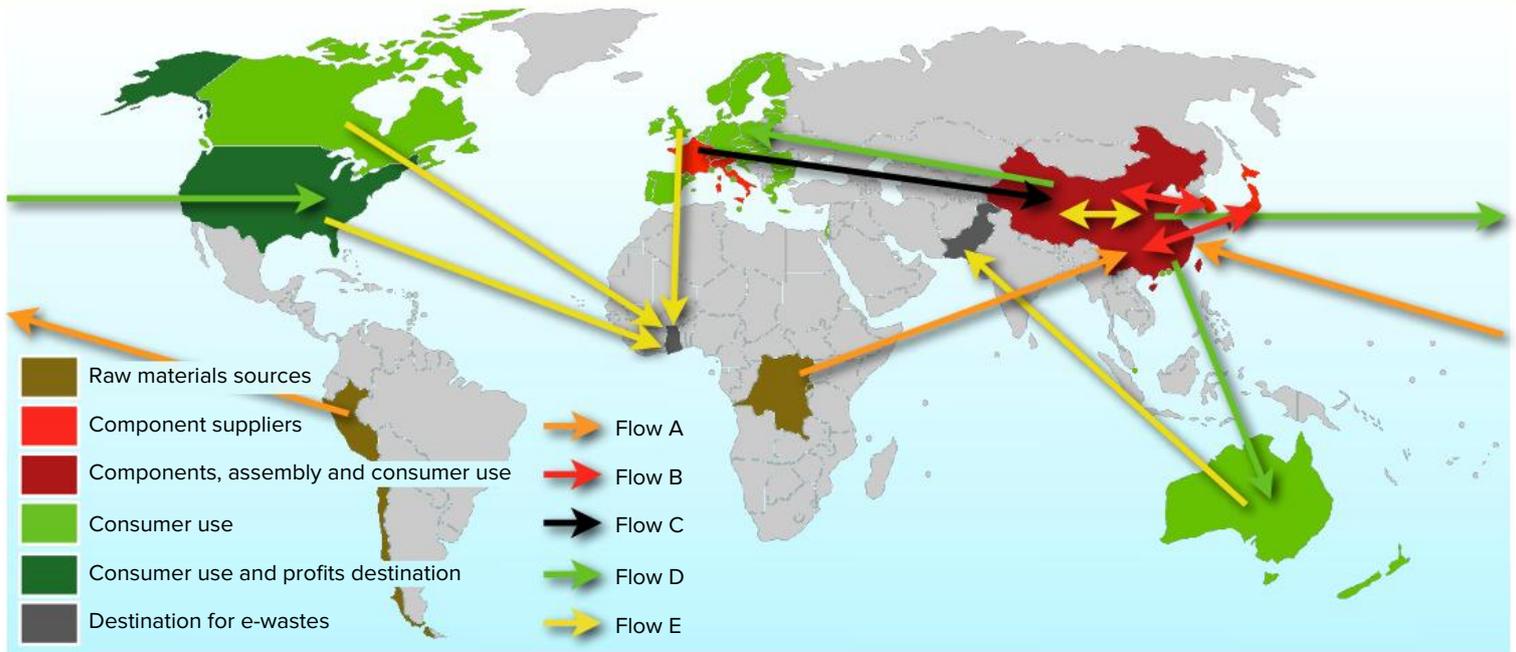
together, initially working in the spare bedroom and garage of Steve Jobs' parents' home in Los Altos, California, USA. The company is now one of the world's largest technology companies.

In the 1970s and 1980s, Apple manufactured its computers within the United States in **its own factories** in Silicon Valley, California, and in Carrollton, near Dallas, Texas. It used circuit boards that were manufactured in its own factories in Ireland and Singapore, following a tightly controlled **in-house model** of supply chain management that ensured **vertical integration** of the production process.



**2.34** Apple's early computers, such as the Apple IIe shown here, were manufactured in Apple's own factories in the United States using components imported from their own factories in Ireland and Singapore. In the mid-1980s, assembly of Apple IIe computers was expanded to include the factories in Ireland and Singapore. Apple's global supply chain at that time followed the in-house model of vertically integrated production.

A major boost to Apple's growth was the release in 2007 of **the first iPhone** by Apple's co-founder and CEO, Steve Jobs. The iPhone was not the first mobile phone to become available to consumers. The first commercially available mobile phone was the Motorola DynaTAC 8000X, commonly known as 'The Brick', that was released in 1984 at a cost of US\$3,995. The iPhone differed from earlier mobile phones in being a **smartphone** with a touchscreen that included a virtual keyboard, which meant it could perform **additional functions** such as web browsing by connecting to the internet, texting, taking photos, shooting and viewing video, playing music, sending and receiving e-mail, implementing GPS navigation, performing mathematical calculations, playing video games, and so on. By early 2017, there were more than two million



**2.35** Apple's supply chain for mobile phones. *Note that only major indicative international flows are shown for the sake of simplicity.* **Flow A** is the export of coltan, cobalt and other precious ores from small mines in Rwanda and the Democratic Republic of Congo to China for processing. Other significant raw materials flows are from Peru and Chile to China. **Flow B** is the two-way flow of processed materials such as coltan and cobalt, first from China to South Korea and Japan for use in making rechargeable batteries and other components, and then for re-export back to China (including Taiwan) for the assembly of the phones. There is also a flow of key components such as silicon chips and touch-sensitive glass panels from South Korea into China (including Taiwan). **Flow C** is the shipping of components from Europe to China (including Taiwan), such as microelectronics and gyroscopes from France, Switzerland and Italy. **Flow D** is the shipment, usually by air, of finished mobile phones to consumer markets around the world (only some of the largest markets are shown on the map for simplicity). As well as being an assembler nation, China (including Taiwan) is also a consumer user nation of mobile phones. **Flow E** is the flow of e-waste to dumping and recycling sites, the largest of which are in Ghana, Pakistan and within China.



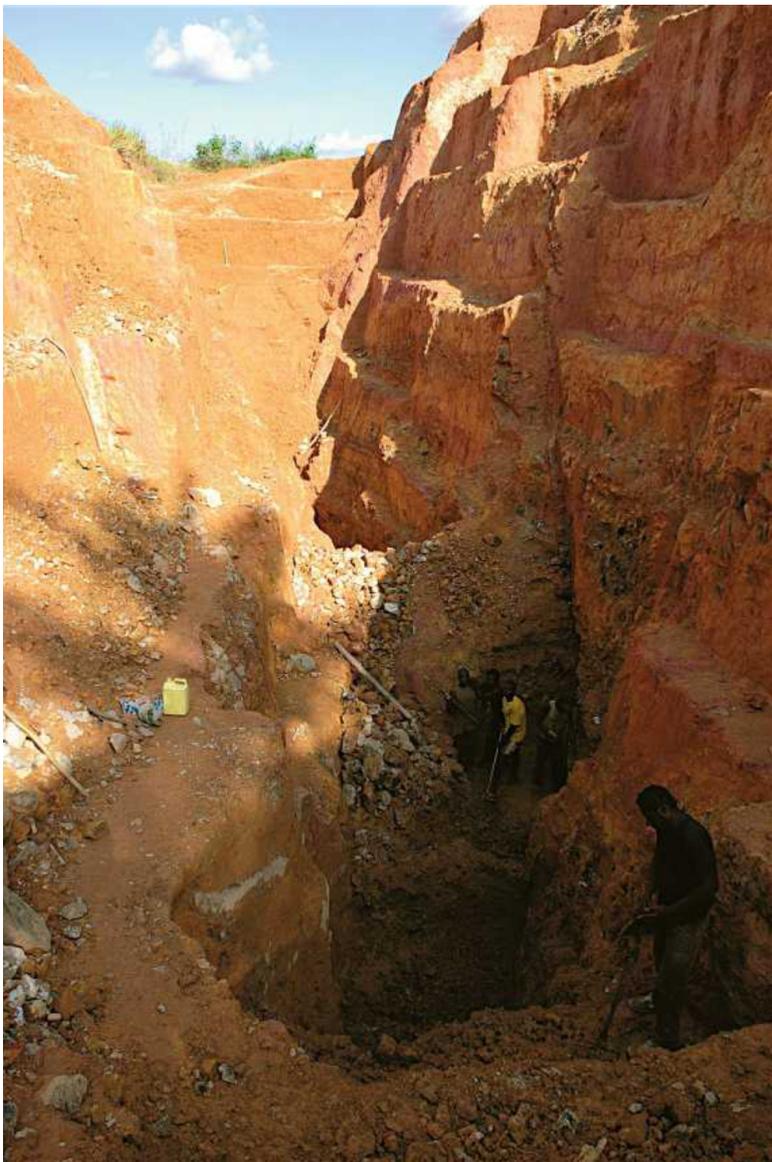
**2.36** Steve Jobs introduces the iPhone 4 at the Worldwide Developers Conference, 2010.

applications available for downloading and use on iPhones, and more than one billion iPhones had been sold.

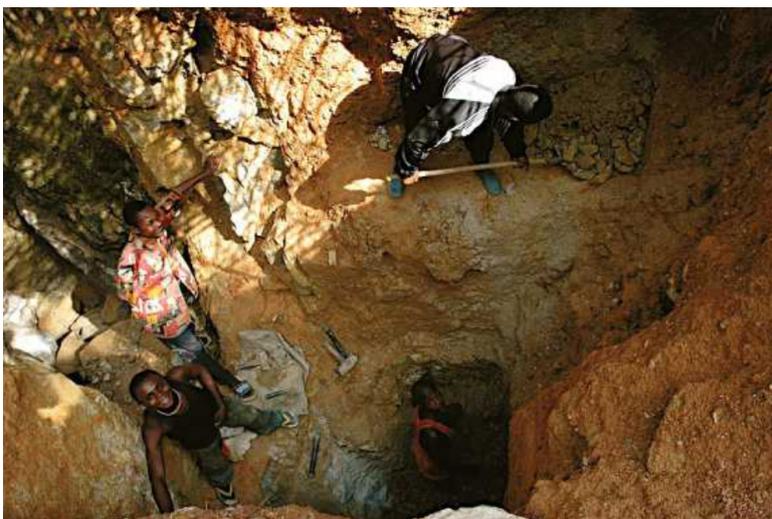
Apple pursues a **global strategy** for every aspect of its supply chain except for the process of **design**, which is highly concentrated in its highly secretive headquarters in Cupertino, California, USA.

Apple's global strategy is:

- to offer a mix of consumer products that appeal to a **global mass market**;
- to **standardise** its products in different international markets as much as possible;
- to target the **upper end** of the market that has low price sensitivity;
- to maintain **product differentiation** such as unique operating systems and distinctive design that enable higher margins to be included in the selling price of its products;
- to maintain a **high profit margin** on sales, and thus produce high earnings for **shareholders**;
- to reduce the costs of production where possible by **outsourcing** production to companies in low-cost locations, and then transporting finished products to their world-wide markets;
- to devote high expenditures to **research and development** in an effort to produce high quality products.



**2.37** A labour-intensive mine in Kailo, DR Congo, where wolframite (a tungsten ore) and cassiterite (tin oxide) are mined for use in electronics. Although most pits are 4 to 10 metres deep, this one is larger at 25 metres.



**2.38** Miners digging for wolframite in Kailo, DR Congo. Working conditions are hard as equipment is limited to shovels, and the tropical heat can be intense. The miners sell the minerals they obtain through a government office in the nearby town, and the government takes a share of the proceeds.

Although Apple produces a range of electronics products, the global supply chain discussed here will focus on **mobile phones**, which typically produce between 60% and 65% of Apple's total revenue. Figure 2.35 shows a simplified version of the **global supply chain** used to produce iPhones.

The first stage in the process does not involve the shipment of physical goods. This is the **design** phase, which is carried out in tight security within Apple's facilities in Silicon Valley, California, USA. Although the design work is done in the United States, most of the manufacturing processes are undertaken in other countries where **labour costs are lower**, so the focus of the commodity chain is manufacturing plants in Asia rather than the company's headquarters in the US.

Several of the **raw materials** needed to make mobile phone components are obtained from small-scale, labour intensive mines in Rwanda and the Democratic Republic of the Congo. One of the materials mined in Rwanda and the DR Congo for mobile phones is **coltan**, a highly conductive metallic ore whose full name is columbite-tantalite, which is required for making capacitors that are used in electronic devices such as mobile phones (and in missiles).

The border region between the DR Congo and Rwanda is one of the **main sources** for coltan, together with Brazil. Because the mining is largely unregulated, environmentalists are critical of the impacts of coltan mining on local ecological



**2.39** Child labour is used in the DR Congo mines. This grade 4 boy attends school in the morning, and then works in the mine each afternoon to help pay for his schooling. The children at this mine in Kailo help to pan for the ore, as well as carrying and selling goods to the workers.

systems, as land eroded by mining **pollutes** the lakes and rivers of the region and surrounding forest areas are damaged. The mines are close to the habitat of **mountain gorillas**, which also worries environmentalists. Furthermore, the area where coltan is mined is **politically unstable**, and there have been frequent outbreaks of fighting between rebel groups in recent decades. Many of the mines are controlled by rebel groups, who use earnings from coltan sales to purchase weapons and finance their activities. Indeed, human rights groups have alleged that many of the mine workers are (or have been) prisoners of war who are forced to work in the mines as a punishment after being captured. Because of the controversy over coltan, Apple fine-tuned its sourcing arrangements in Africa and since 2014 has certified that it only uses ‘**conflict-free tantalum**’.

Raw materials for iPhones are also obtained from many other parts of the world, including gold from Peru, copper from Chile, and rare earth minerals from Mongolia, China and the United States. Raw materials from many parts of the world are shipped to China (including Taiwan), which is where iPhones are **manufactured** and **assembled**. The materials are often shipped through **intermediary countries** such as Japan, Singapore, Malaysia, Mexico, the Philippines, Germany, Thailand, Switzerland, the United States and South Korea where components such as silicon chips, touch-sensitive glass panels and rechargeable batteries are manufactured.

This part of Apple’s supply chain follows the **marketised model**, in which work is **outsourced** to whichever supplier can deliver the highest quality goods at the lowest price within the timeframe demanded. Interestingly, one of Apple’s largest **component suppliers** is Samsung, the South Korean TNC that is also one of Apple’s largest competitors in the mobile phone industry. Among other inputs, Samsung supplies Apple with such key components as silicon chips. Other **major suppliers** to Apple include Sony (cameras), Sharp (touchscreen displays), LG (another firm making touchscreen displays), TDK (inductor coils), Toshiba (flash memory), Greenpoint Singapore (iPhone cases), STMicroelectronics Switzerland (gyroscopes), Bosch Germany (accelerometers), Asahi Kasei Microdevices Japan (electromagnetic

compasses), Taiwan Semiconductor Manufacturing Company (fingerprint sensors), and Xintec Taiwan (also making fingerprint sensors). Industry analysts believe that Apple has about 200 vendor suppliers around the world.

Although Apple selects its suppliers using a marketised model of outsourcing, it also applies a version of the **captive-supplier** supply chain model. As a condition of signing a contract with a supplier, Apple usually insists that the supplier signs an **exclusivity agreement** with Apple, meaning that the firm cannot supply the same components to other phone manufacturers. In this way, Apple retains a **closed supply chain** that prevents competitors gaining access to components it has specified. Suppliers are usually happy to sign



2.40 The production line in one of Foxconn’s factories in Shenzhen, China.



2.41 The CEO of Apple Inc., Tim Cook, visits a Foxconn factory that assembles iPhones in Zhengzhou, China. Shortly before his death in 2011, Apple’s CEO, Steve Jobs, nominated Tim Cook as his successor because of his brilliant management of the company’s global supply chain.

such agreements because of the huge scale of business that Apple offers them, and this huge scale also enables Apple to negotiate **large discounts** on parts, manufacturing capacity and air freight. From Apple's perspective, the exclusivity discounts enable the company to sell its products at **competitive prices** to consumers while also giving a **higher level of profits** to Apple.

The manufactured components from around the world are sent to China (including Taiwan) for their **final assembly**. Apple **does not manufacture** its own mobile phones, but **outsources** the assembly of the parts to other companies in various parts of China where skilled workers can be employed for wages that are relatively cheap by world standards.

All early models of the iPhone were assembled by **Foxconn**, a Taiwanese TNC electronics company. In addition to its Taiwanese operations, Foxconn has 12 factories in mainland China as well as factories in Brazil, Hungary, India, Japan, Malaysia, Mexico, Slovakia, South Korea, Turkey and the United States. It is estimated that about 40% of all the world's electronics products are assembled in Foxconn factories. Foxconn assembles electrical products for firms such as Acer, Amazon, BlackBerry, Cisco, Dell, Google, Hewlett-Packard,

Huawei, Intel, Microsoft, Motorola, Nintendo, Sony, Toshiba and Xiaomi as well as Apple's products.

In recent years, Apple has expanded its iPhone assembly to a second company, **Pegatron**, which is another Taiwanese electronics company. Although not as large as Foxconn, Pegatron has factories in Taiwan, mainland China, Czechia, and Mexico.

As high-profile companies, both Pegatron and Foxconn have been accused of exposing their employees to **harsh working conditions** and **mistreatment**. These criticisms have included long working hours with no time off, forced overtime, discrimination against mainland Chinese workers by Taiwanese supervisors, employment of young teenage workers, and cramped dormitory accommodation for workers. The criticisms came to a head between 2010 and 2012 when it was alleged that several workers in Foxconn factories had committed **suicide** because of their harsh treatment, and western media observed what appeared to be **nets** around the factories to catch workers who were trying to jump to their deaths. To balance these accusations, Foxconn and Pegatron have **no shortage of applicants** for jobs in their factories, which are highly sought after by local Chinese workers who see the **salaries** paid as being higher than for most other Chinese factory jobs.

When the phones have been assembled and packaged, they are **air freighted** to **distribution centres** in several parts of the world, including Australia, China, Czechia, Japan, Singapore, the United Kingdom and the United States. Apple operates on a '**just-in-time**' system for distributing phones, using constantly updated information on purchases to adjust the production of different models of phones in its subcontractors' factories, and keeping as little stock as possible in its warehouses.

The small size and light weight of iPhones makes transport by air feasible, and it gives Apple an advantage over competitors, many of which transport their output by ship because it is cheaper. For Apple, air freight means **faster deliveries** and lower quantities of **stock** in warehouses. The cost of transporting a mobile phone from China to the United States by ship, assuming a full container of phones, is about US\$0.07 per phone. The cost for the same transport by air is US\$0.30 to US\$0.65 per



**2.42** Nets were erected at one of Foxconn's factories in Shenzhen, China to prevent deaths by suicide after several employees had jumped to their deaths at the factory. Workers rights activists claimed that the suicides were a response to harsh working conditions in the factory and the repetitive, mundane work done by the employees. However, Foxconn's wages and working conditions are better than most factories in China, and are subject to more external scrutiny and foreign publicity than typical Chinese factories. Foxconn argues that erection of the nets was for the employees' welfare as an expression of the company's corporate social responsibility.

phone, depending on the freight rates at different times of the year. This amounts to about 0.008% of the purchase price of a new iPhone. In September each year, there is an increase in the cost of air freight world-wide because this is when new models are released on Apple's annual cycle, and a significant portion of the global air freight industry focusses on transporting new iPhones.

Apple allocates the **distribution** to a number of air freight companies such as Cargolux, Cathay Pacific, AirBridgeCargo, China Airlines Cargo, Air China Cargo, China Southern Cargo and UPS on the basis of competitive quotes. This fits in with Apple's **marketised approach** to most aspects of its global supply chain. The vast majority of Apple's air freight flights begin from **Shenzhen** and **Zhengzhou**, which are the locations of Foxconn's largest Chinese factories. From these airports,



**2.43** Apple's retail stores typically have understated, discreet branding. This view shows Apple's flagship store in Regent Street, London, United Kingdom.



**2.44** Many of Apple's newer retail stores feature glass frontages, such as this example in the Pudong district of Shanghai, China.



**2.45** An unauthorised Apple retail outlet in Shenzhen, China, selling iPhones together with other mobile phones assembled in nearby factories.

flights connect through a series of hub airports to Apple's **distribution centres** around the world. When Apple ships its finished phones, it includes tracking chips in the cargo that enable constant monitoring of the stock. This also acts as a safeguard against theft.

Although Apple does not manufacture its iPhones, it does retain control of their **sales and marketing**. Apple's phones are typically sold through **four main channels**:

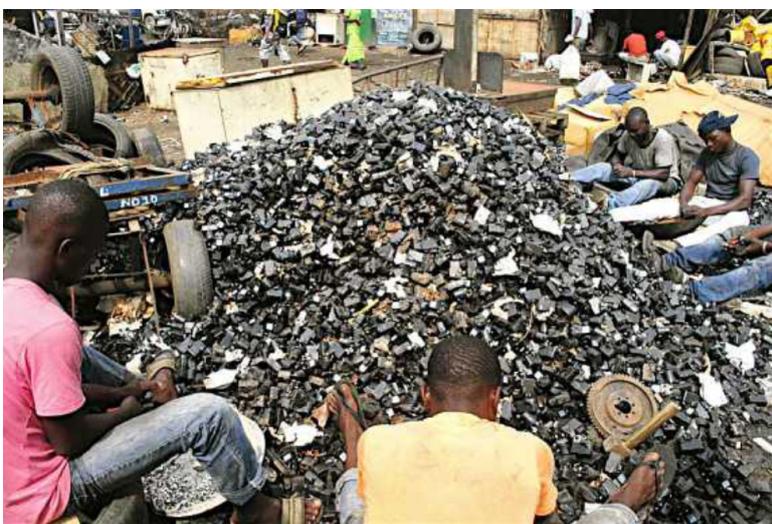
- **Online orders** through its own website. By early 2020, Apple enabled online orders through its own online stores in 130 countries, an example of the **in-house model** of supply chain organisation.
- **Retail sales** through its own stores. By early 2020, Apple had more than 500 fully owned and operated retail stores in 25 countries around the world, following the **in-house model** of supply chain organisation.
- **Contracts** with mobile phone network providers (telcos) such as AT&T, Sprint, T-Mobile and Verizon in the United States; China Mobile, China Telecom and China Unicom in China; Optus, Telstra, Virgin Mobile and Vodafone in Australia; and BT, O2 and Orange in the United Kingdom. Apple's arrangements with telcos are negotiated using the **marketised model** of supply chain organisation.
- **Unauthorised sales** through retail outlets, usually in China and some developing countries, selling phones that have been smuggled out of assembly plants by employees or obtained



**2.46** An iPhone 5S. The disposal of mobile phones when they reach the end of their useful life is the final stage in the global supply chain.



**2.47** A worker in the Sims Recycling Solutions facility near Sacramento, California, USA, uses a forklift to move a large cardboard box filled with iPhone parts for recycling by shredding.



**2.48** A group of men sort and break apart e-waste from disused mobile phones in the Agbogbloshie district of Accra, Ghana.

through unofficial channels. Understandably, Apple does not endorse this retail channel and does all it can to eliminate it.

The last stage of the supply chain, as shown in figure 2.32, is production of the **outputs** from the system. In the case of Apple's supply chain, the **profits** of the supply chain flow to Apple's **shareholders**. All of Apple's large shareholders are based in the **United States**.

**Insiders** hold a significant component of Apple's shares, including Arthur Levinson (Chair of the Apple board) with 1.16 million shares in early 2020, Tim Cook (the CEO) who owned about 900,000 shares, Craig Federighi (Senior Vice President of Software Engineering) with 460,000 shares, and Al Gore (former US Vice-President and Apple board member) with 443,000 shares. The largest **institutional shareholders** are the Vanguard Group with 338 million shares, which is 6.5% of Apple's shareholdings (worth about US\$32 billion in early 2020) and Berkshire Hathaway Inc., one of Warren Buffet's companies, with 133 million shares.

The **disposal** of used iPhones is the final stage of the supply chain. Mobile phones are designed to have a life of just a few years. They contain a number of **hazardous materials** such as lead, nickel, mercury and cadmium, which makes environmentally responsible disposal of phones difficult. Therefore, Apple encourages consumers who have finished with their iPhones to return them to Apple for **recycling**. As well as enabling the **re-use** of valuable materials, this program also raises Apple's **sales and profits** because it prevents used phones being re-sold on the second-hand market where they would compete with Apple's sales of new phones.

Although early mobile phones were designed to be disassembled, newer phones are made by gluing components together, which means they must be **shredded** if they are to be recycled, and this is an energy-consuming process. It is estimated that 85% of the materials in shredded iPhones can be retrieved and re-sold for use by other industries.

Most mobile phones that do not go through the official recycling program are either **re-sold** for second-hand use, or they are sent to **e-waste sites** in China, Pakistan or Ghana where recycling is done by hand in a highly labour-intensive manner.

Between 50% and 80% of electronic waste is exported to developing countries where the recycling is done in dangerous ways that emit pollutants that are dangerous to both human health and the environment.

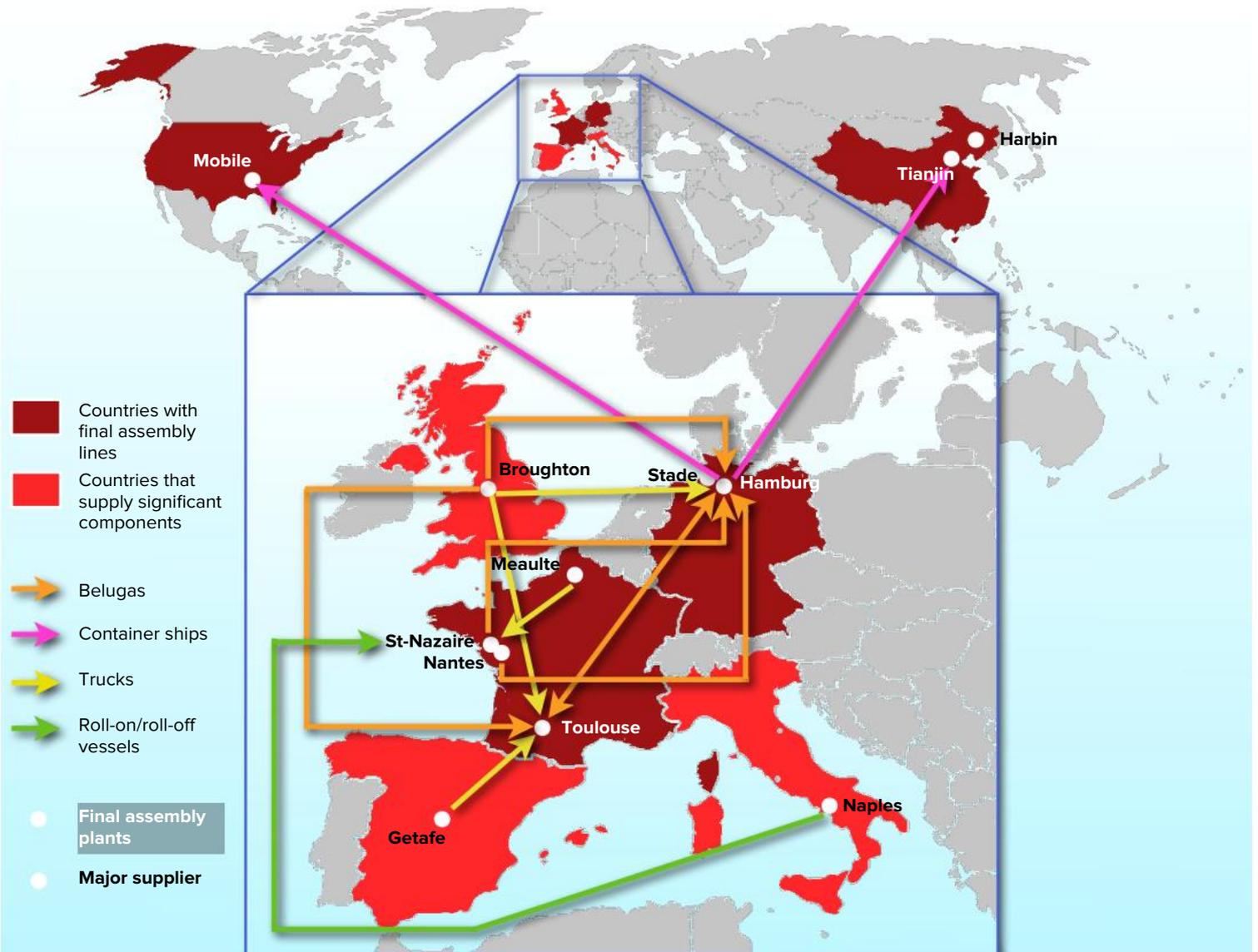
**CASE STUDY**  
**Airbus**

**Airbus SAS** is one of the world's two major manufacturers of jet airliners, the other being Boeing. Unlike Boeing, which is a US-based company, Airbus is a **multinational** company based in **Europe**, with **ownership** being shared by aviation manufacturers in France, Germany, Spain and the United Kingdom. Airbus and Boeing effectively operate a highly competitive **duopoly** in the world airliner industry.

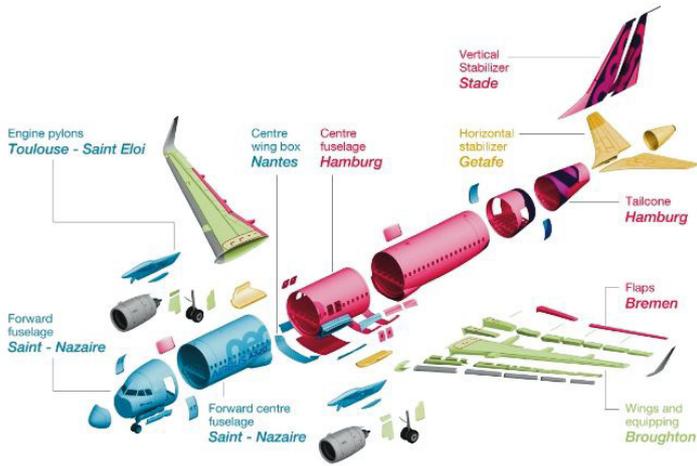
Airbus had its **origins** in the late 1960s when European governments saw aviation as an area of expertise that could be developed to compete with



2.50 The first Airbus airliner, the A300 prototype, is seen here in 1973 at Amsterdam Airport. The A300 was the world's first twin-engined widebody airliner.



2.49 The global supply chain for Airbus airliners. Note that only major indicative international flows are shown for the sake of simplicity.



**2.51** Major suppliers of components for the Airbus A320neo airliner. Components from France are shown in blue, Germany in red, Italy in yellow, the United Kingdom in green and the United States in grey. Final assembly of the A320 occurs on three production lines, one each in Hamburg (Germany), Mobile (Alabama, USA) and Tianjin (China). Source: Airbus SAS.

the three large US manufacturers – Boeing, Douglas and Lockheed – that dominated civil aircraft construction outside the Soviet sphere of influence at that time. In 1972 the first Airbus airliner flew for the first time, this being an A300, the world’s first wide-body twin-engined airliner.

The **establishment** of Airbus was influenced by the **political priority** shared by the European governments to create a large number of highly **skilled jobs** within Europe. This priority shaped Airbus’ global strategy and supply chain so that most suppliers of components for Airbus aircraft are **European companies**. Therefore, the dominant approach followed by Airbus is the **modular model** of supply chain organisation where Airbus sets quality standards for components and then sub-contracts their production to European companies.

Airbus’ **global strategy** includes the following priorities:

- To establish and maintain **parity** for Airbus with the United States as a **major force** in the global aviation industry.
- To this end, design, build and support a range of jet-powered airliners that **cover all market segments** from 100 seats upwards.
- To create **highly skilled employment opportunities** in Europe.
- To create a viable airliner **export industry** with profitable markets in all parts of the world.

Figure 2.49 shows a simplified version of the **global supply chain** used by Airbus for its civil airliner production. The global supply chain **reflects** Airbus’ global strategy of **creating jobs** in Europe and making Europe an **aerospace centre** that rivals the United States. Figure 2.51 shows the **allocation of work** for the latest version of Airbus aircraft that has attracted the largest number of sales, the A320 airliner. The same allocation of work applies to the A319, which is a shortened version of the A320, and the A321, which is a longer version. Although details of the allocations of work vary for each type of aircraft that Airbus builds (for example, the tail rudders for the A350 airliner are manufactured in Harbin, China), the A320 diagram is representative of most of Airbus’ work.

Parts are **manufactured** in aerospace factories in France, Germany, Spain, Italy and the United



**2.52** A ceremony was held in 2014 to celebrate the delivery of the 200th Airbus airliner assembled in the assembly plant in Tianjin, China. The aircraft was an Airbus A319 for China Eastern Airlines.



**2.53** Airbus A320 airliners under construction in the Airbus assembly plant in Mobile, Alabama, USA.

Kingdom, and then **transported** to the **two main assembly plants**, one in Toulouse (France) and one in Hamburg (Germany). Airbus recently opened **two additional assembly plants**, one in Mobile (Alabama, USA) and one in Tianjin (China). Each of these new assembly plants was built to open up **marketing opportunities** in the United States and China, both of which are large markets with **protectionist governments** that favour manufactured goods made in their own country.

A variety of **transport means** are used to transport aircraft components across Europe to their final assembly plants:

- **Large trucks** are used to transport components by road from Meaulte (France) to Saint-Nazaire (France), from Stade (Germany) to Hamburg (Germany), and from Broughton (UK) and Getafe (Spain) to Toulouse and Hamburg.
- **Roll-on/roll-off vessels** are used to transport components such as horizontal stabilisers from Naples (Italy) to Saint-Nazaire (France).
- **Container ships** are used to transport the parts required to assemble aircraft in Mobile (USA) and Tianjin (China) from Hamburg (Germany).
- Large parts, including entire tail sections and fuselage sections, are transported in a fleet of specially built **cargo planes** called the **Beluga** between Toulouse (France) and Hamburg (Germany), from Broughton (UK) to Toulouse and Hamburg, and into Hamburg from Nantes (France) and Saint-Nazaire (France).
- The Beluga is unable to fit fuselage sections for the double-deck Airbus A380, so fuselage sections for these aircraft are moved by **river barge**.

It is unlikely that a **complex supply chain** such as this would have developed without the **political basis** for the establishment of Airbus and the priority of the contributing governments to generate employment and technological skills in each of their home countries. Nonetheless, the supply chain generally works well, although there have been instances when **blockages** have caused significant backlogs. An example of a problem caused by the supply chain occurred in 2016 when delivery delays by Pratt and Whitney, the US manufacturer of engines for the A320neo, caused a build up of otherwise complete aircraft that could not be delivered in Toulouse and Hamburg.



**2.54** A Beluga XL freighter, specially built to carry large components between suppliers and Airbus assembly plants, seen here flying from Spain to the large Airbus factory in Toulouse, France.



**2.55** A Beluga unloads two front fuselage sections of A320 airliners at the Hamburg assembly plant.



**2.56** Parts of the first production A380 on a river barge passing under the oldest bridge in Bordeaux. This hazardous operation can only be performed at low tide because of the low clearance of the bridge. Tracks around the bridge pillars have been set in place to protect them from damage by the barge.

When Airbus airliners have been assembled, they are **delivered** to the airline that purchased them at the assembly plant. Having accepted delivery of the aircraft, staff from each airline fly the plane to their home base in the country of operation.

Although Airbus was established long after its main competitor (Boeing, which was founded in 1916), it has sold more airliners in recent years. In the 16 year period from 2001 to 2018, Airbus outsold Boeing in all but four years. Today, Airbus airliners are used by about 500 different operators in countries in all regions of the world, and it is said that an Airbus airliner takes off every 1.4 seconds somewhere in the world.

The last stage of the supply chain, as shown in figure 2.32, is production of the **outputs** from the system. In the case of Airbus, **profits** from the sale of aircraft, aircraft parts and servicing go to the various owners of Airbus, which comprises a complex mix of **national aerospace companies** in Europe, **private shareholders** and the **European governments** that signed the original agreement to establish Airbus – France, Germany and Spain – who between them hold 26% of Airbus' shares.

Jet airliners have an **average life** of about 30 years, although this figure varies widely according to how well or poorly an airline services its aircraft. Short-range aircraft that perform many take-offs and landings have shorter lives, while long-haul airliners that have fewer take-offs and landings



**2.57** When airliners reach the end of their service lives, they are often stored in desert environments such as this aircraft graveyard in Victorville, California, USA, where the dry climate is less corrosive on metal components than more humid areas. The three aircraft nearest the camera in this view are Airbus A310 freighters, with various parts already cannibalised for use on aircraft that are still flying.

may last longer. The **disposal** of used airliners produces a surprisingly small amount of pollution as old aircraft are usually broken up for spare parts to be used in other airliners. This process is known as **cannibalisation**.

The most valuable parts of old aircraft are its **engines**, and these are invariably re-used, either as a complete replacement engine or as spare parts. Those parts that are not required for cannibalisation are **recycled**, which involves removing large parts such as seats and equipment, leaving the shell of the aircraft fuselage and its wings. Metals, plastics and carbon fibre components can all be recycled, and this is done by specialist recycling companies.

### QUESTION BANK 2F

1. Outline the aspects of Apple's global supply chain today that conforms to (a) the marketised model, (b) the captive-supplier model and (c) the in-house model of supply chain management.
2. Why did Apple shift from the in-house model of supply chain management that it used in its early years to the mix of supply chain models it uses today.
3. Outline the similarities and differences between the global strategies adopted by Apple and Airbus.
4. Compare and contrast the models of supply chain management used by Apple and Airbus.
5. Explain why Apple and Airbus use different models of supply chain management.
6. With reference to figures 2.35 and 2.49, describe and account for the differences in the patterns of movement in Apple's and Airbus' global supply chains.
7. Describe the social and environmental controversies that surround mobile phone production.
8. Compare and contrast the distribution of profits for Apple and Airbus, and suggest reasons for the differences.
9. Compare the environmental issues involved with the disposal of mobile phones compared with airliners.
10. In your opinion, should the countries as well as the companies involved in manufacturing products such as mobile phones and aircraft accept responsibility for their environmentally sustainable disposal at the end of their operational lives?
11. As a geographer, what improvements would you recommend for (a) Apple's supply chain, and (b) Airbus' supply chain, assuming no change to either company's global strategy.



**3.1** A large portrait of China's former leader, Deng Xiaoping, dominates this intersection in the Shenzhen Special Economic Zone (SEZ). It was Deng Xiaoping's political policies that enabled Shenzhen and other SEZs to be established, thus opening China to foreign economic, social, cultural and information flows after several decades of self-imposed isolation.

## Political factors that affect global interactions

Although globalisation is usually thought to be mainly an economic phenomenon, it could be argued that almost every global interaction has a large **political** component. Consider a small sample of global interactions:

- The **global flow of people** is strongly affected by political policies, whether it is voluntary migration that is subject to immigration and visa regulations, or refugees and undocumented migrants who may be forced to move by political conflicts or persecution.
- The **global flow of capital** is a powerful tool to spread neoliberal political as well as economic ideas across national borders, especially when foreign investment or economic aid is conditional.
- **Cross-border environmental pollution** can have politically destabilising impacts by creating tensions within and between countries.
- The **development gap** between rich and poor countries can cause tensions and resentment.

- **Infectious diseases** such as AIDS, malaria and ebola that cross borders pose dangers to political stability and sovereignty.
- The **global flow of information** can threaten authoritarian regimes, which is why some governments attempt to block parts of the internet such as particular websites and social media.
- **Terrorism** is regarded as a political threat, which is why some countries refer to the 'war on terrorism'.

### Multi-governmental organisations

**Multi-governmental organisations** (MGOs) are formal groups with a membership comprising three or more countries' governments. Alternatively, some MGOs may comprise groupings of other MGOs. MGOs overlap with **intergovernmental organisations** (IGOs), which are formal groups of two or more countries, but MGOs do not overlap with **bilateral organisations**, which comprise representatives from only two countries. Most members of MGOs are **nation-states**, but sometimes they include administrations that have not achieved widespread international recognition and other **organisations** with specialist expertise.

According to the *Yearbook of International Organisations*, which is a regularly updated reference book on the work of non-profit international organisations, there are about 5,000

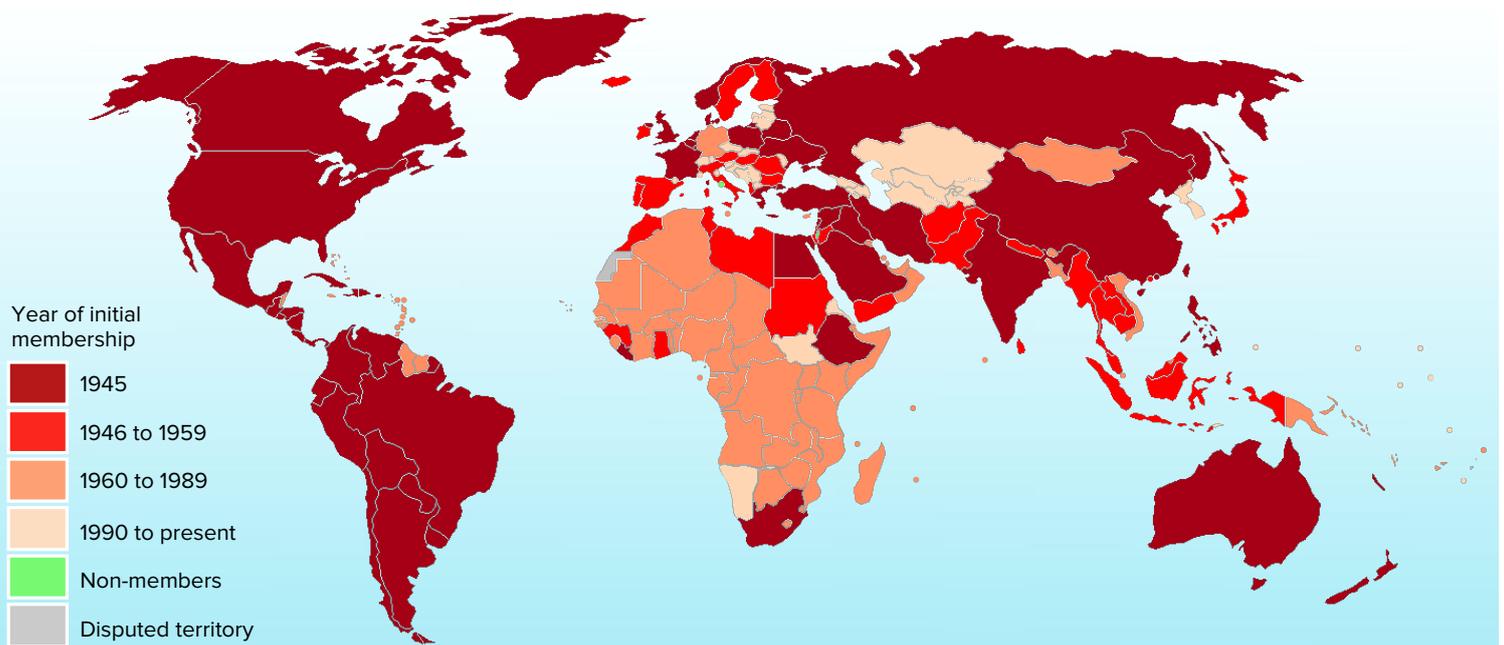
MGOs in the world today, some of which are global while others are regionally or continentally focussed. A selection of some of the more significant MGOs is shown in table 3.1.

The number of MGOs has **grown markedly** over the past century or so. In 1900, there were just 16 MGOs. By 1951, the number had risen to about 100, and as global interactions have accelerated since that time, the number of MGOs has expanded greatly. Today, there are **several types** of MGOs as shown in table 3.1. Some MGOs focus on specific **regions**, while others are **global** in scale, usually having a **specific focus** such as arms control, education, the environment or the oceans. The **largest scale** MGO with the **widest scope** is the United Nations, which is an MGO in its own right, and also oversees several other MGOs such as UNESCO, UNICEF and the WHO that are highly significant on a global scale in their own right.

### United Nations

The most significant MGO in the world is without doubt the **United Nations** (UN), not only because it counts as its members almost every country in the world and is thus the world's largest MGO, but because the UN has established a number of **subsidiary MGOs** that are among the most significant such organisations in their own right.

The United Nations was **established** in 1945 in the aftermath of World War II as a replacement for the failed pre-war League of Nations. The United



3.2 Growth of the United Nations.

## Table 3.1

A selection of major Multi-governmental Organisations (MGOs), showing the scope and diversity of MGOs.

<p><b>Arms control</b></p> <ul style="list-style-type: none"> <li>• Australia Group (AG)</li> <li>• Conference on Disarmament</li> <li>• Missile Technology Control Regime (MTCR)</li> <li>• Nuclear Suppliers Group (NSG)</li> <li>• Organisation for Security and Co-operation in Europe (OSCE)</li> <li>• Organisation for the Prohibition of Chemical Weapons (OPCW)</li> <li>• Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organisation (CTBTO)</li> <li>• Wassenaar Arrangement</li> </ul>	<ul style="list-style-type: none"> <li>• International Monetary Fund (IMF)</li> <li>• Islamic Development Bank (IDB)</li> <li>• Netherlands Development Finance Company (FMO)</li> <li>• New Development Bank (NDB)</li> <li>• Nordic Development Fund (NDF)</li> <li>• Nordic Investment Bank (NIB)</li> <li>• OPEC Fund for International Development (OPEC Fund)</li> <li>• Organisation for Economic Co-operation and Development (OECD)</li> <li>• Organisation of Petroleum-Exporting Countries (OPEC)</li> <li>• West African Development Bank (BOAD)</li> <li>• World Bank Group: <ul style="list-style-type: none"> <li>▶ International Bank for Reconstruction and Development (IBRD)</li> <li>▶ International Centre for Settlement of Investment Disputes (ICSID)</li> <li>▶ International Development Association (IDA)</li> <li>▶ International Finance Corporation (IFC)</li> <li>▶ Multilateral Investment Guarantee Agency (MIGA)</li> </ul> </li> <li>• World Customs Organisation (WCO)</li> <li>• World Trade Organisation (WTO)</li> </ul>	<ul style="list-style-type: none"> <li>• West African Economic and Monetary Union (UEMOA)</li> </ul> <p><b>Americas</b></p> <ul style="list-style-type: none"> <li>• Association of Caribbean States (ACS)</li> <li>• Bolivarian Alliance for the Americas (ALBA)</li> <li>• Caribbean Community (CARICOM)</li> <li>• Central American Bank for Economic Integration (CABEI)</li> <li>• Central American Integration System</li> <li>• Organisation of American States (OAS)</li> <li>• Central American Parliament</li> <li>• Justice Studies Centre of the Americas (JSCA)</li> <li>• North American Free Trade Agreement (NAFTA)</li> <li>• Organisation of Eastern Caribbean States (OECS)</li> <li>• Organización Latinoamericana de Energía (OLADE)</li> <li>• Rio Group</li> <li>• System of Co-operation Among the American Air Forces (SICOFAA)</li> <li>• Union of South American Nations (USAN): <ul style="list-style-type: none"> <li>▶ Mercosur</li> <li>▶ Andean Community of Nations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Organisation for Joint Armament Co-operation (OCCAR)</li> <li>• Organisation of Black Sea Economic Co-operation (BSEC)</li> <li>• Visegrád Group (V4)</li> <li>• West Nordic Council</li> </ul> <p><i>Transcontinental - African, Caribbean and Pacific Group of States</i></p> <ul style="list-style-type: none"> <li>• Technical Centre for Agricultural and Rural Co-operation ACP-EU (CTA)</li> </ul> <p><i>Transcontinental - Arctic Ocean</i></p> <ul style="list-style-type: none"> <li>• Arctic Council</li> </ul> <p><i>Transcontinental - Eurasia</i></p> <ul style="list-style-type: none"> <li>• Asia-Europe Foundation (ASEF)</li> <li>• Central Asian Co-operation Organisation</li> <li>• Collective Security Treaty Organisation (CSTO)</li> <li>• Commonwealth of Independent States (CIS)</li> <li>• Economic Co-operation Organisation (ECO)</li> <li>• Eurasian Economic Union (EEU or EAEU)</li> <li>• GUAM Organisation for Democracy and Economic Development</li> <li>• Organisation of the Black Sea Economic Co-operation (BSEC)</li> <li>• Shanghai Co-operation Organisation (SCO)</li> <li>• TRACECA</li> <li>• Turkic Council (TurkKon)</li> </ul> <p><i>Transcontinental - Mediterranean</i></p> <ul style="list-style-type: none"> <li>• Union for the Mediterranean</li> </ul> <p><i>Transcontinental - Indian Ocean</i></p> <ul style="list-style-type: none"> <li>• Indian Ocean Commission (COI)</li> <li>• Indian Ocean Rim Association for Regional Co-operation (IOR-ARC)</li> </ul> <p><i>Transcontinental - Pacific Ocean</i></p> <ul style="list-style-type: none"> <li>• ANZUS</li> <li>• Asia-Pacific Economic Co-operation (APEC)</li> <li>• Melanesian Spearhead Group (MSG)</li> <li>• Pacific Islands Forum</li> <li>• Pacific Regional Environment Program (SPREP)</li> <li>• Secretariat of the Pacific Community</li> </ul> <p><i>Transcontinental - Trans-Atlantic</i></p> <ul style="list-style-type: none"> <li>• North Atlantic Treaty Organisation (NATO)</li> <li>• Organisation for Security and Co-operation in Europe (OSCE)</li> <li>• South Atlantic Peace and Co-operation Zone (ZPCAS)</li> </ul>
<p><b>Cultural, ethnic, linguistic, and religious Organisations</b></p> <ul style="list-style-type: none"> <li>• Arab League</li> <li>• Commonwealth of Nations</li> <li>• Community of Portuguese Language Countries (CPLP)</li> <li>• International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM)</li> <li>• International Organisation of Turkic Culture (TÜRKSOY)</li> <li>• Organisation internationale de la Francophonie</li> <li>• Organisation of Ibero-American States (OEI)</li> <li>• Organisation of Islamic Co-operation</li> </ul>	<p><b>Fisheries Organisations</b></p> <ul style="list-style-type: none"> <li>• Asia-Pacific Fishery Commission (APFIC)</li> <li>• Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR)</li> <li>• Great Lakes Fishery Commission (GLFC)</li> <li>• Indian Ocean Tuna Commission (IOTC)</li> <li>• Inter-American Tropical Tuna Commission (IATTC)</li> <li>• International Commission for the Conservation of Atlantic Tunas (ICCAT)</li> <li>• International Pacific Halibut Commission (IPHC)</li> <li>• International Whaling Commission (IWC)</li> <li>• North Atlantic Salmon Conservation Organisation (NASCO)</li> <li>• North-East Atlantic Fisheries Commission (NEAFC)</li> <li>• North-West Atlantic Fisheries Organisation (NAFO)</li> <li>• Pacific Salmon Commission (PSC)</li> <li>• South-East Asian Fisheries Development Centre (SEAFDEC)</li> <li>• Western and Central Pacific Fisheries Commission (WCPFC)</li> </ul>	<p><b>Asia</b></p> <ul style="list-style-type: none"> <li>• Asia Co-operation Dialogue (ACD)</li> <li>• Asian Development Bank (ADB)</li> <li>• Association of Southeast Asian Nations (ASEAN): <ul style="list-style-type: none"> <li>▶ ASEAN Free Trade Agreement (AFTA)</li> </ul> </li> <li>• Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC)</li> <li>• Colombo Plan</li> <li>• East Asia Summit (EAS)</li> <li>• Gulf Co-operation Council (GCC)</li> <li>• Mekong-Ganga Co-operation (MGC)</li> <li>• Mekong River Commission (MRC)</li> <li>• Partnerships in Environmental Management for the Seas of East Asia (PEMSEA)</li> <li>• South Asian Association for Regional Co-operation (SAARC)</li> <li>• Southeast Asian Ministers of Education Organisation (SEAMEO)</li> <li>• Trilateral Co-operation Secretariat (TCS)</li> </ul>	<ul style="list-style-type: none"> <li>• United Nations Organisation (UN)</li> <li>• United Nations Development Programme (UNDP)</li> <li>• United Nations Educational, Scientific and Cultural Organisation (UNESCO)</li> <li>• United Nations Environment Programme (UNEP)</li> <li>• United Nations Human Settlements Programme (UNEP)</li> <li>• United Nations Industrial Development Organisation (UNIDO)</li> <li>• World Association of Nuclear Operators</li> </ul>
<p><b>Digital Organisations</b></p> <ul style="list-style-type: none"> <li>• Digital 5 (D5)</li> </ul>	<p><b>Ideological and political groupings</b></p> <ul style="list-style-type: none"> <li>• Alliance of Small Island States (AOSIS)</li> <li>• Bolivarian Alliance for the Americas (ALBA)</li> <li>• Group of 15 (G-15)</li> <li>• Group of 24 (G24)</li> <li>• Group of 77 (G-77)</li> <li>• NATO</li> <li>• New Agenda Coalition</li> <li>• Non-Aligned Movement</li> <li>• Non-Proliferation and Disarmament Initiative</li> <li>• Western European and Others Group</li> </ul>	<p><b>Europe</b></p> <ul style="list-style-type: none"> <li>• Agency for International Trade Information and Co-operation (AITIC)</li> <li>• Assembly of European Regions (AER)</li> <li>• Baltic Assembly</li> <li>• Baltic Black Sea Union (BBSU)</li> <li>• Baltic Marine Environment Protection Commission</li> <li>• Benelux</li> <li>• British-Irish Council</li> <li>• Central Commission for Navigation on the Rhine (CCNR)</li> <li>• Central European Free Trade Agreement (CEFTA)</li> <li>• Community for Democracy and Rights of Nations (Commonwealth of Unrecognized States)</li> <li>• Council of Europe (CoE)</li> <li>• Council of the Baltic Sea States (CBSS) Energy Community</li> <li>• Euroforum: <ul style="list-style-type: none"> <li>▶ CERN</li> <li>▶ European Fusion Development Agreement (EFDA JET)</li> <li>▶ European Molecular Biology Laboratory (EMBL)</li> <li>▶ European Space Agency (ESA)</li> <li>▶ European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT)</li> <li>▶ European Southern Observatory (ESO)</li> <li>▶ European Synchrotron Radiation Facility (ESRF)</li> <li>▶ European x-ray free electron laser (European XFEL)</li> <li>▶ Institut Laue-Langevin (ILL)</li> </ul> </li> <li>• EUREKA</li> <li>• European Centre for Medium-range Weather Forecasts (ECMWF)</li> <li>• European Co-operation in Science and Technology (COST)</li> <li>• European Free Trade Association (EFTA)</li> <li>• European Organisation for the Safety of Air Navigation (EUROCONTROL)</li> <li>• European Patent Organisation (EPO)</li> <li>• European Science Foundation</li> <li>• European Union (EU)</li> <li>• European Union Customs Union (EUCU)</li> <li>• Group of 9 (G9)</li> <li>• International Commission on Civil Status (ICCS)</li> <li>• Nordic Council</li> <li>• Nordic Investment Bank</li> <li>• Northern Dimension Partnership in Public Health and Social Well-being (NDPHS)</li> </ul>	<p><b>United Nations and agencies</b></p> <p><i>Principal organs:</i></p> <ul style="list-style-type: none"> <li>• The General Assembly</li> <li>• The Economic and Social Council</li> <li>• The International Court of Justice</li> <li>• The Secretariat</li> <li>• The Security Council</li> <li>• The United Nations Trusteeship Council</li> </ul> <p><i>UN Funds, Programs and Agencies:</i></p> <ul style="list-style-type: none"> <li>• Food and Agriculture Organisation (FAO)</li> <li>• International Civil Aviation Organisation</li> <li>• International Criminal Tribunal for the former Yugoslavia (ICTY)</li> <li>• International Criminal Tribunal for Rwanda (ICTY)</li> <li>• International Fund for Agricultural Development (IFAD)</li> <li>• International Labour Organisation (ILO)</li> <li>• International Maritime Organisation</li> <li>• Joint United Nations Program on HIV/AIDS (UNAIDS)</li> <li>• United Nations Capital Development Fund</li> <li>• United Nations Development Program (UNDP)</li> <li>• United Nations Educational, Scientific and Cultural Organisation (UNESCO)</li> <li>• United Nations Environment Program (UNEP)</li> <li>• United Nations Human Settlements Program</li> <li>• United Nations Industrial Development Organisation (UNIDO)</li> <li>• United Nations International Children's Emergency Fund (UNICEF)</li> <li>• United Nations Office for Disaster Risk Reduction (UNISDR)</li> <li>• United Nations Office on Drugs and Crime</li> <li>• Universal Postal Union</li> <li>• World Food Program (WFP)</li> <li>• World Health Organisation (WHO)</li> <li>• World Intellectual Property Organisation</li> <li>• World Meteorological Organisation</li> <li>• World Tourism Organisation (WTO)</li> </ul>
<p><b>Educational Organisations and universities</b></p> <ul style="list-style-type: none"> <li>• Academy of European Law (ERA)</li> <li>• Cerlalc</li> <li>• Commonwealth of Learning (COL)</li> <li>• EUCLID (university)</li> <li>• European University Institute</li> <li>• International Bureau of Education IBE, now a part of UNESCO</li> <li>• International Institute for the Unification of Private Law</li> <li>• United Nations University</li> </ul>	<p><b>Law enforcement co-operation</b></p> <ul style="list-style-type: none"> <li>• International Criminal Court (ICC)</li> <li>• International Criminal Police Organisation (Interpol)</li> </ul>	<p><b>Maritime Organisations</b></p> <ul style="list-style-type: none"> <li>• Antarctic Treaty Secretariat (ATS)</li> <li>• International Council for the Exploration of the Sea (ICES)</li> <li>• International Hydrographic Organisation</li> <li>• International Maritime Organisation</li> <li>• International Seabed Authority</li> <li>• North Pacific Marine Science Organisation (PICES)</li> </ul>	<p><b>Missing Persons</b></p> <ul style="list-style-type: none"> <li>• International Commission on Missing Persons (ICMP)</li> </ul>
<p><b>Energy Organisations</b></p> <ul style="list-style-type: none"> <li>• Energy Charter</li> <li>• Energy Community</li> <li>• European Atomic Energy Community</li> <li>• Korean Peninsula Energy Development Organisation</li> <li>• International Atomic Energy Agency</li> <li>• International Centre for Synchrotron-Light for Experimental Science Applications in the Middle East</li> <li>• International Energy Agency</li> <li>• International Energy Forum (IEF)</li> <li>• International Institute for Applied Systems Analysis (IIASA)</li> <li>• International Renewable Energy Agency (IRENA)</li> <li>• Nuclear Energy Agency</li> <li>• Renewable Energy and Energy Efficiency Partnership (REEEP)</li> <li>• Sustainable Energy for All (SE4ALL)</li> <li>• United Nations Atomic Energy Commission</li> <li>• United Nations Industrial Development Organisation (UNIDO)</li> <li>• World Association of Nuclear Operators</li> </ul>	<p><b>Regional Organisations</b></p> <p><i>Africa</i></p> <ul style="list-style-type: none"> <li>• African Union (AU)</li> <li>• Arab Maghreb Union (AMU)</li> <li>• Conseil de l'Entente</li> <li>• Economic Community of West African States (ECOWAS)</li> <li>• East African Community (EAC)</li> <li>• Intergovernmental Authority on Development (IGAD)</li> <li>• Regional Centre on Small Arms in the Great Lakes Region, Horn of Africa and Bordering States (RECSA)</li> <li>• Southern African Development Community (SADC)</li> </ul>	<p><b>Financial, trade, and customs Organisations</b></p> <ul style="list-style-type: none"> <li>• African Development Bank</li> <li>• Alliance for Financial Inclusion (AFI)</li> <li>• Asian Development Bank</li> <li>• Asian Infrastructure Investment Bank</li> <li>• Bank for International Settlements</li> <li>• Black Sea Trade and Development Bank (BSTDB)</li> <li>• Caribbean Development Bank (CDB)</li> <li>• Council of Europe Development Bank (CEB)</li> <li>• European Bank for Reconstruction and Development (EBRD)</li> <li>• Inter-American Development Bank</li> <li>• International Bureau of Weights and Measures (BIPM)</li> <li>• International Development Law Organisation (IDLO)</li> <li>• International Energy Agency (IEA)</li> <li>• International Fund for Agricultural Development (IFAD)</li> </ul>	<p><b>Other</b></p> <ul style="list-style-type: none"> <li>• Advisory Centre on World Trade Organisation Law</li> <li>• Intergovernmental Organisation for International Carriage by Rail (OTIF)</li> <li>• International Institute for Democracy and Electoral Assistance (International IDEA)</li> <li>• International Union of Railways (UIC)</li> <li>• Organisation for Co-operation of Railways (OSJD or OSShD)</li> <li>• Partners in Population and Development</li> <li>• World Organisation for Animal Health</li> </ul>

## Chapter 3 - Human and physical influences on global interactions

Nations was formed with the explicit **aim** of bringing countries together to preserve world peace, intending to initiate an era of unprecedented **political globalisation**. More specifically, the **objectives** of the UN were (and are) to maintain international **peace and security**, to promote **human rights**, to foster **social and economic development**, to protect the **environment**, and to provide **humanitarian aid** in cases of famine, natural disaster, and armed conflict.

When it was formed in 1945, the UN had an initial membership of 51 countries, and its **headquarters** was established in **New York (USA)** with an associate office in **Geneva (Switzerland)**. By early 2020, UN **membership** had grown to 193 countries, with two additional territories that were non-member observers (the Vatican and the Palestinian Authority).

Through its history, the effectiveness of the United Nations has been disputed, earning strong support



**3.5** Two North Korean soldiers guard the exit of the negotiating hut at Panmunjom that straddles the border between North and South Korea. The framed picture on the wall shows the flags of the 16 countries that fought against North Korea under the United Nations flag (top row, centre) during the Korean War from 1950 to 1953 — United States, South Korea, Australia, Belgium, Canada, Colombia, Denmark, France, Greece, Luxembourg, New Zealand, Norway, Philippines, Thailand, Turkey and the United Kingdom.



**3.3** The United Nations headquarters in New York, USA.



**3.4** The United Nations headquarters in Geneva, Switzerland.



**3.6** The United Nations flag still flies today over the armed border posts that face North Korea across the DMZ (Demilitarised Zone). The light blue UN flag can be seen here over a South Korean post in a view looking south from the North Korean side of the DMZ towards South Korea.

from some observers and criticism from others. The United Nations was created to provide a global setting in which countries could not only **meet, debate, consider issues and communicate**, but also be a **'player'** in world affairs in its own right. The UN played a strong role in helping to create Israel as a separate country in 1947, and it has participated as a combatant in two **conflicts**, the Korean War (1950 to 1953) in which UN forces supported South Korea against North Korea, and in the civil war in Congo from 1960 to 1964. The UN has also played a significant role in **peacekeeping**



3.7 A United Nations peacekeeping vehicle patrols the main street of Monrovia, Liberia's capital city.



3.8 A United Nations peacekeeping vehicle crosses the Golan Heights border between Israel and Syria.

in such diverse locations as Angola, Bosnia-Herzegovina, Cambodia, El Salvador, Guatemala, Kosovo, Liberia, Mali, Mozambique, Namibia, Rwanda, Somalia and Sudan.

The General Assembly and the Security Council are the two best-known organs of the United Nations. The **General Assembly** is the main forum in which international issues are discussed, and it operates on the basis of equality with one vote per member country.

The role of the **Security Council** is more specific, as it is responsible for maintaining international **peace and security**. The Security Council can authorise the use of **armed force**, establish **peacekeeping operations**, and it is the only UN organ that can issue **binding resolutions** to member countries. The Security Council has 15 members, of which ten (the non-permanent members) are elected for two-year terms, and the remaining five (the permanent



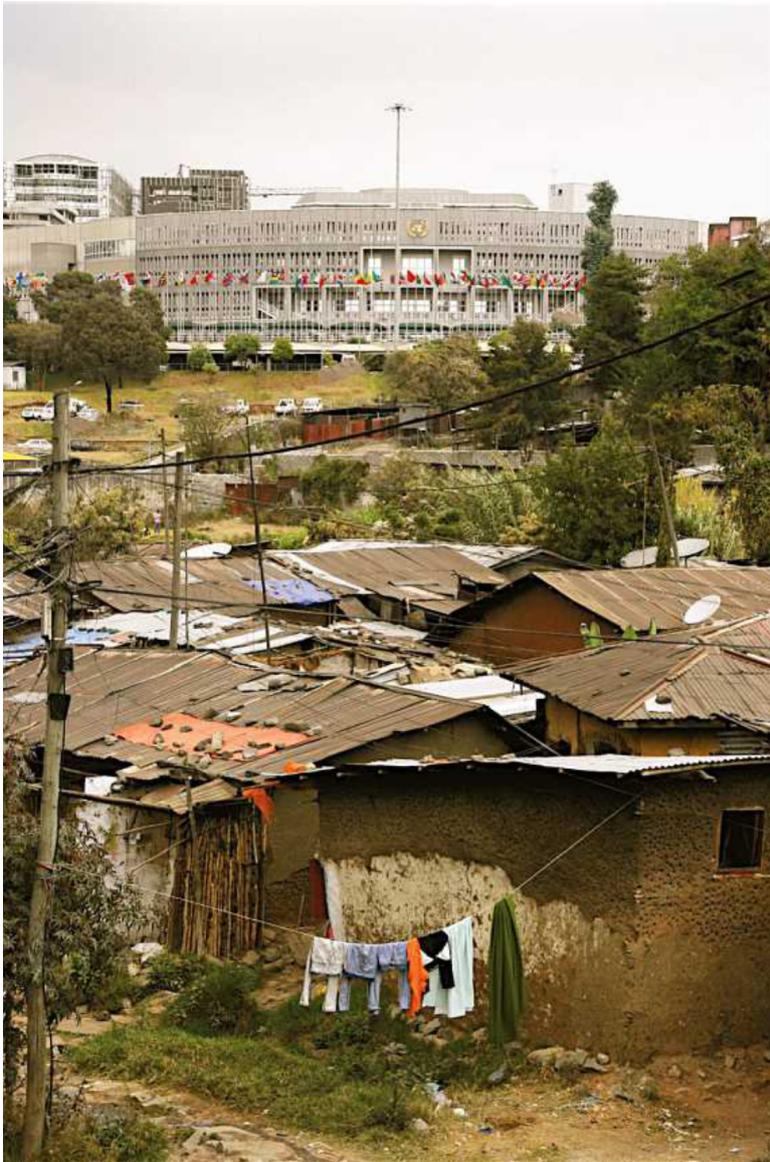
3.9 A meeting of the United Nations General Assembly at the UN headquarters in New York, USA.



3.10 A meeting of the United Nations Security Council at the UN headquarters in New York, USA.

members) are the largest victors in World War II – China, France, Russia, the United Kingdom and the United States. Each of the five permanent members has **veto power**, meaning their single vote can negate any substantive resolution of the Security Council.

The day-to-day operations of the UN are handled by the **Secretariat**, which manages the UN's 44,000 staff, 60% of whom work in field locations across the world. The UN maintains **four headquarters**, the main centre in New York plus three others in Geneva (Switzerland), Vienna (Austria) and Nairobi (Kenya). In addition to these, there are five **regional** economic and/or social commissions in Geneva (covering Europe), Beirut, Lebanon (covering Western Asia), Santiago, Chile (covering Latin America and the Caribbean), Bangkok, Thailand (covering Asia and the Pacific), and Addis Ababa, Ethiopia (covering Africa). At more local



**3.11** The United Nations regional headquarters in Addis Ababa, Ethiopia, sits on a hill overlooking an area of housing for poor residents of the city.



**3.12** The United Nations building in Dar es Salaam, Tanzania, houses the offices for several UN agencies, including the FAO, IFAD, ILO, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UN Women, WFP, and WHO.

levels, the United Nations maintains offices in many other cities to accommodate its agencies, funds and programs such as UNESCO, WFP, UNAIDS and UNICEF that operate, mainly in developing countries.

The **effectiveness** of the United Nations is hampered by a chronic shortage of funds because some countries fail to pay their dues, which are calculated every three years and take into account their GNP, income per capita, and their external debt. The **largest contributor** to United Nations income is the United States, which contributes 22%, followed by China (12%), Japan (9%) and Germany (6%). The top 20 countries contribute 84.6% of the United Nations budget, with the other 173 members contributing the remaining 15.4%. There was a period in the mid-1980s when the United States withheld its payments to the United Nations to force compliance with US wishes regarding decisions made and to force a reduction in US contributions. The United States reportedly still slips into periodic debt to the UN for overdue payments. United States membership of the United Nations is a contentious political issue within the US, as many critics argue that it diminishes the United States' authority to act unilaterally as a superpower, and that it consumes large sums of money for causes that are not in US interests.

The United Nations **functions** in four broad areas:

- **Military issues:** Although the UN was formed to be a major force in managing conflict and security, its role was marginalised during the Cold War period of 1945 to 1991 because both the United States and the Soviet Union used their veto powers to block armed interventions that would have been contrary to their interests. This situation changed in 1991 when the UN approved the use of armed force to repel Iraq's invasion of Kuwait, and this was followed by a number of significant peacekeeping roles.
- **Economic issues:** The United Nations is involved in significant efforts to advance economic development in low-income countries and reduce global inequality. Much of this work is done through United Nations agencies that are MGOs in their own right, such as the FAO, ILO, UNESCO, UNHCR, UNICEF and WHO.



**3.13** A United Nations peacekeeping helicopter waits at Robertsfield Airport, Liberia, ready to carry humanitarian aid or peacekeeping forces wherever they might be needed.



**3.14** The headquarters of the United Nations High Commission for Refugees, an MGO in Geneva, Switzerland. The role of UNHCR is lead and co-ordinate international action to protect refugees and resolve refugee problems worldwide. Its duty is to safeguard the rights and well-being of refugees, striving to ensure that everyone can seek asylum and find safe refuge in another country.



**3.15** Another UN agency, the ILO, has its headquarters in Geneva, Switzerland. Many UN MGOs are based in Switzerland because of that country's traditional neutrality during conflicts.

- **Environmental issues:** Challenges such as environmental pollution and hazardous waste are mainly dealt with through UNEP, which is a United Nations MGO.
- **Human protection:** In addition to a number of UN treaties that bind members to protecting human rights, the UN works to enhance human welfare through MGOs such as the ILO.

### European Union

As more countries recognised the advantages of co-operation rather than competition, several **regional economic blocs** grew during the period from 1950 onwards. There are **four types** of regional economic blocs with varying degrees of integration:

- **Free-trade areas** are groups of countries that have agreed to remove trade restrictions between themselves, but retain independent trade policies towards non-members.
- **Customs unions** extend the free-trade area arrangements by establishing common policies and tariffs against non-members.
- **Common markets** extend the customs union arrangements still further by permitting free movement of workers and goods between members.
- **Economic unions** integrate the economies of the members even more than in the common market by ensuring that each member's economic policies are in harmony, and by agreeing to national control by international agencies established by the economic union. An economic union is the strongest form of regional economic integration short of political union.

The differences between these four types of **regional economic blocs** are summarised in figure 3.16. Over 100 regional economic blocs now exist, with notable examples including **NAFTA** (the 'North American Free Trade Agreement' between Canada, the United States and Mexico), **MERCOSUR** ('Southern Zone Common Market', a customs union between Argentina, Brazil, Paraguay and Uruguay) and **AFTA** ('the ASEAN Free Trade Agreement' between the Association of South-east Asian Nations [ASEAN] of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). A free-trade

	Free-Trade Area	Customs Union	Common Market	Economic Union
Removal of trade restrictions between member states	✓	✓	✓	✓
Common external trade policy towards non-members		✓	✓	✓
Free movement of factors of production between member states			✓	✓
Harmonisation of economic policies under supranational control				✓

3.16 Types of regional economic integration.

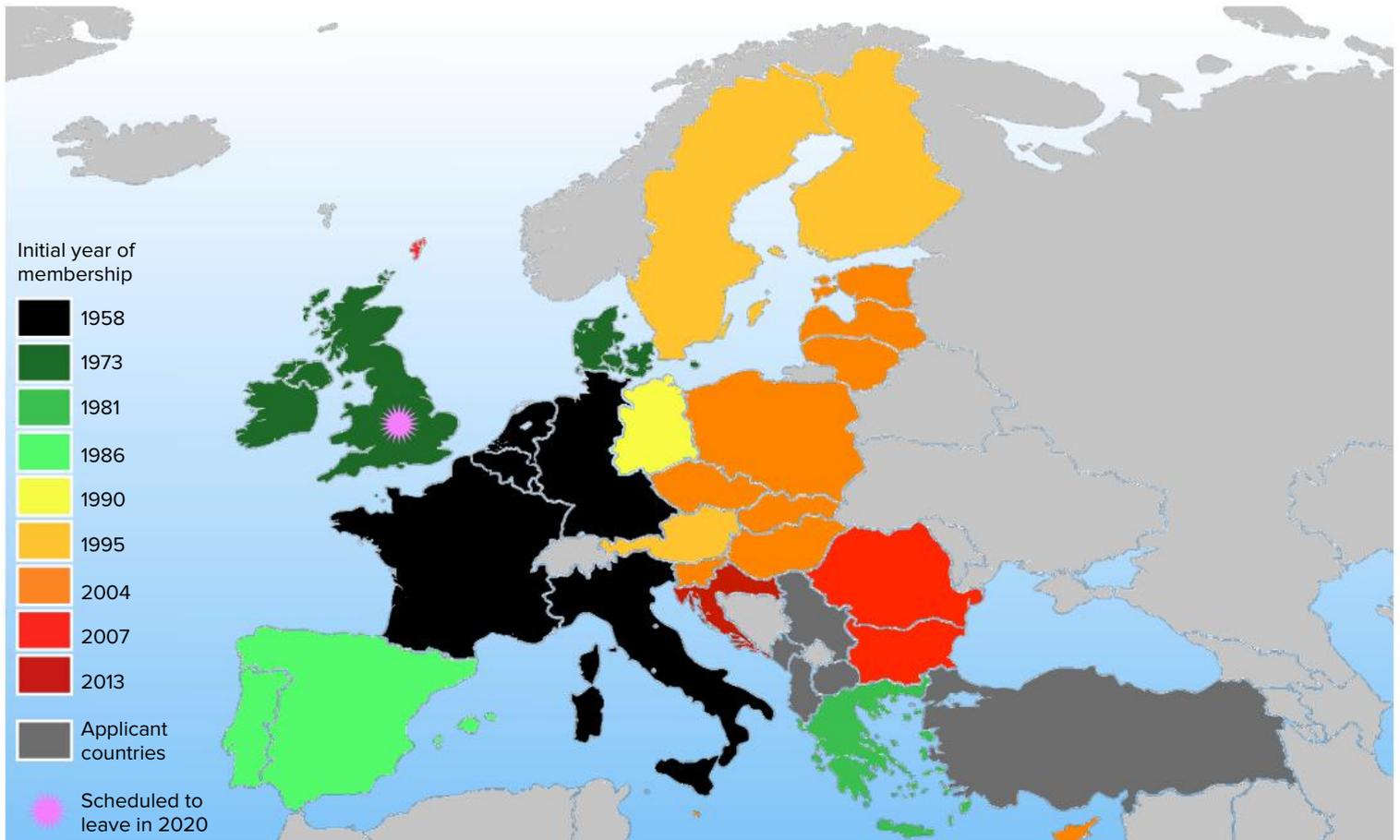
agreement also exists between Australia and New Zealand, effectively creating a common market between the two countries.

Of the regional economic blocs, the largest and most successful has been the **European Union (EU)**. The EU had its **origins** in the 1950s when six nation-states – France, Germany, Italy, Belgium, Netherlands and Luxembourg – formed the European Economic Community (EEC). In 1958, customs duties between the six members were abolished, and in 1968 they introduced a common external tariff. **Membership** of the EEC grew during the 1970s with the addition of Denmark, Ireland and the United Kingdom, and during the 1980s with Greece, Portugal and Spain.

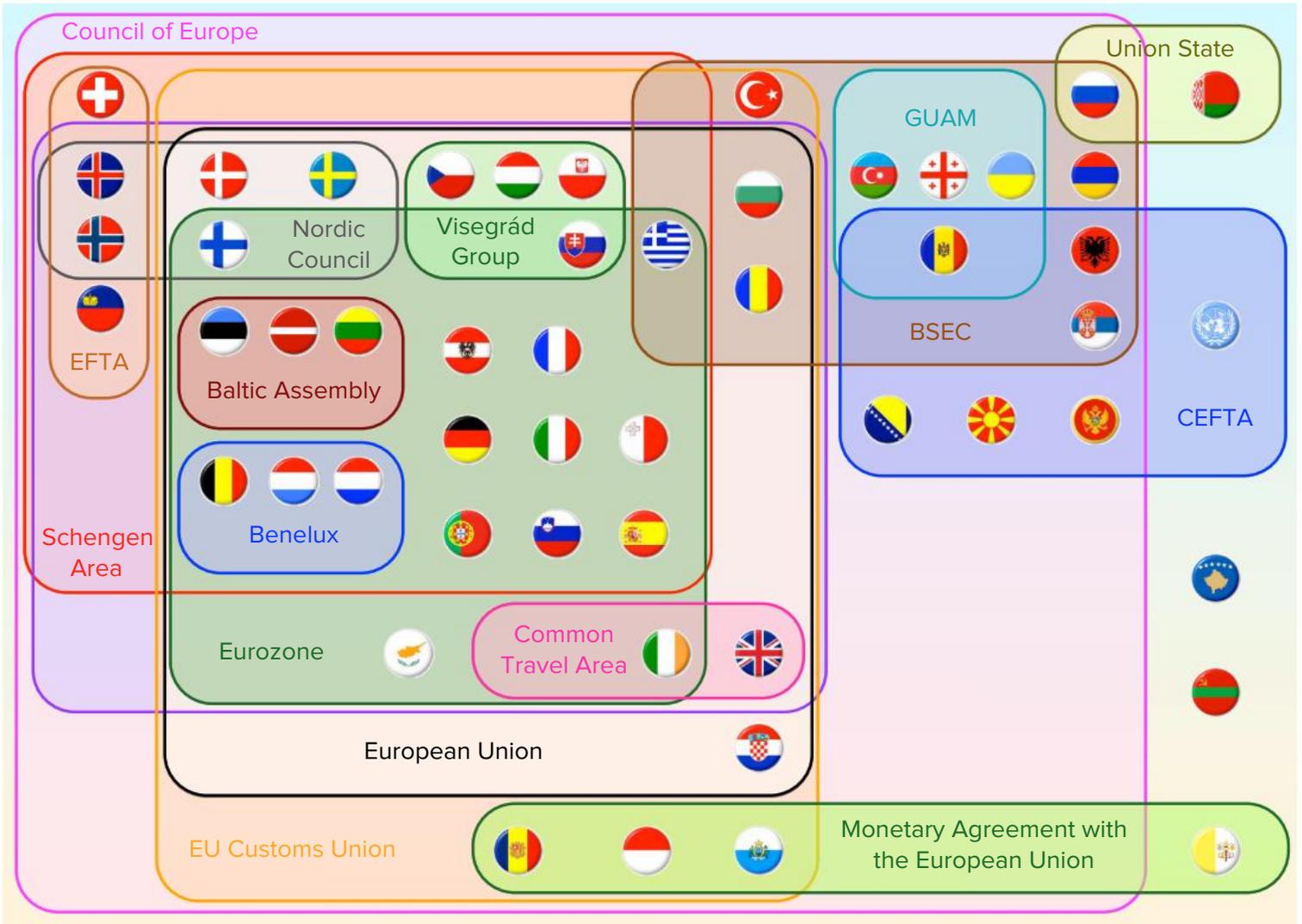
A desire to further strengthen economic ties led to the signing in 1991 of the **Treaty of Maastricht**. This created the European Union, agreeing to abolish passport checks between members, introduce a single currency the ‘euro’, (€), and readjust national economic policies to conform to EU standards. Some countries have been reluctant to embrace all these reforms, the United Kingdom being the most notable example.

Membership was further **expanded** during the 1990s with the addition of Austria, Finland and Sweden, and since 2000 with the addition of Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia. The most recent new member admitted to the EU was Croatia in 2013. Membership is likely to expand in the future as other applications from Albania, Macedonia, Montenegro, Serbia and Turkey are being considered, and Bosnia-Herzegovina and Kosovo are in the preliminary stages of applying. Current membership of the EU is 28 nation-states.

The **motivations** for countries to join the European Union vary from place to place, but common motives include:



3.17 Changes in membership of the European Union since 1958 (the original European Economic Community).



3.18 The relationship between European Union membership, shown within the black bordered rectangle, and the membership of several other European Regional MGOs and groupings. Countries are indicated by their flag buttons. Any unfamiliar flags can be checked at websites such as [www.photius.com/flags/alphabetic\\_list.html](http://www.photius.com/flags/alphabetic_list.html) or [ece.uwaterloo.ca/~dwharder/Flags/images/World.Flags.png](http://ece.uwaterloo.ca/~dwharder/Flags/images/World.Flags.png). It is expected that the United Kingdom will leave the European Union in 2020.

- Small countries such as Malta, Slovenia, Luxembourg gain **greater international voice** and influence as members of a large MGO; this also applies to larger countries in the EU such as Germany, France, Italy and Poland when seen on a global scale.
- Poorer countries such as Bulgaria, Romania and Croatia gain a **financial benefit** by receiving development grants for depressed areas.
- EU membership brings a country into a common zone for **less regulated travel, customs and immigration**, reducing the costs of border control compared with each country controlling its own frontiers.
- The European Union constitutes the world's **largest single market**, having overtaken the United States

In 2016, the United Kingdom became the first country to vote to leave the EU, initiating a process that has become commonly known as **Brexit** (combining the words 'Britain' and 'exit'). Britain's membership of the EU had been a **contentious** issue within the UK for decades, reflecting a tension within the UK population between isolationist nationalism and its strong sense of sovereignty and control over immigration and financial affairs on one hand, and an outward looking embrace of an increasingly integrated Europe that widened opportunities for travel and employment.

In a narrow referendum vote in 2016, British voters were, on balance, persuaded by **Eurosceptic** arguments that the UK's authority over its own decision-making processes was diluted by EU regulations from Brussels (the headquarters of the EU), and that border security against unauthorised

immigration was weakened by EU membership. The result was sharply polarising within the UK as voters in London, Scotland and Northern Ireland voted strongly to remain in the EU, while voters in England (outside London) and Wales voted to leave.

This differential support is understandable as Scotland and Northern Ireland receive large development **grants** from the EU, and many people in London are engaged in **international business** contacts. On the other hand, many people in England and Wales were convinced that EU membership **cost them** far more financially than they gained.

It is expected that the United Kingdom will leave the European Union in 2020, at which time the EU will **lose its second largest economy** (after Germany) and one of the world's **largest financial centres** (London). The EU will also lose its second largest **financial contributor** (after Germany) and its **strongest military power**. Perhaps more significantly, the UK's withdrawal will represent a setback to **European unification**, and could perhaps fuel **nationalist fervour** in other countries.

The ultimate **goal** of the European Union is to be 'an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen'. The EU states its **objectives** are to promote economic and social progress that is balanced and sustainable, assert the European identity on the international scene and introduce a European citizenship for the nationals of the member states. The European Union has its own flag, its own anthem and celebrates Europe Day on 9th May. With many of the symbols of a nation-state, some people in Europe fear that membership of the EU will mean a loss of sovereignty and that a political union will become inevitable.

Membership of the EU seems to have had a very positive impact on the **economic development** of member states, especially Germany, Denmark, Ireland, Spain and Portugal. On the other hand, the formation of the EU has damaged the economic development of some other countries, some of which are within the EU such as Greece, but also non-EU countries. For example, before the United Kingdom (UK) entered the EU, Commonwealth countries such as New Zealand and Australia



**3.19** The Berlaymont building in Brussels, Belgium, which is the headquarters of the European Commission, the executive body of the European Union responsible for proposing legislation, upholding EU treaties and managing the day-to-day business of the European Union.

enjoyed preferential import taxes when they exported goods to the UK. When the UK joined the EU, the UK was obliged to treat Australia and New Zealand like any other non-EU member, and this caused a sharp fall in exports from those countries to the UK, forcing them to find new markets in other parts of the world.

### QUESTION BANK 3A

1. Outline evidence for and against the claim that 'almost every global interaction has a large political component'.
2. Define the term 'multi-governmental organisation', and explain the difference between MGOs and IGOs.
3. What evidence is there to support the claim that the United Nations is the world's most significant MGO?
4. With reference to figure 3.2, describe the growth of the United Nations, taking particular note of the types of countries that joined in different decades.
5. Select two MGOs – other than the United Nations or the European Union – from table 3.1. One MGO should operate at the global or near-global scale, and the other should operate at the regional or continental scale. Conduct research into the two MGOs you have chosen, and contrast the impact they have on global interactions.
6. Explain the difference between the purposes and workings of the UN General Assembly and Security Council.
7. With reference to figure 3.17, describe the growth of the European Union, taking particular note of the types of countries that joined in different decades.
8. With reference to figure 3.18, describe the relationship between the European Union and three other MGOs.

9. Compare and contrast the (a) origins, (b) goals, (c) operations, and (d) effectiveness of the United Nations and the European Union.

### Free trade zones

The European Union began as a **free trade area**, which is a group of countries that have agreed to remove trade restrictions between themselves while retaining independent trade policies towards non-members. The EU has progressed beyond being a free trade area to become a political and economic union.

A **free trade zone** (FTZ) is quite different to a free trade area. Sometimes called an **export processing zone** (EPZ) or a free port, a free trade zone is an area within a country where goods may be landed, stored, handled, manufactured, processed, and re-exported without any customs regulations, duties or taxes. Usually located around seaports, airports and national borders, free trade zones are **established by governments** to boost trade by lowering legal and financial barriers, easing building permits, offering tax-free holidays, and easing labour regulations. The **common aim** is to generate employment (and thus income tax revenue from workers) while boosting exports of goods produced in the FTZ or transferred through the zone.

Although trade between the FTZ and the rest of the world has reduced barriers, there are usually **significant barriers** between the FTZ and the rest of the country in which it is located. Workers in FTZs must usually get special documentation to enter the zone, and goods passing between the FTZ and the country in which it is located are often charged import taxes and customs duties. In some countries, workers must show their passports whenever they enter or leave the FTZ. In effect, the FTZ becomes an extra-territorial enclave within the country, and building factories within an FTZ is often referred to as **enclave industrialisation**.

By designating FTZs, governments exercise **political influence** on global trade by granting financial incentives to channel the movement of goods through certain ports and transport channels. Free trade zones range in **size** from a few small factories to extensive developments covering tens of square kilometres, and can employ anything



3.20 A customs post checks documents for workers entering the Waigaoqiao Free Trade Zone from the 'non-FTZ' area of Shanghai, China.



3.21 Police check documentation for a car with Canadian business representatives entering the Waigaoqiao Free Trade Zone in Shanghai, China, soon after its establishment.

between a hundred and tens of thousands of workers. As we saw in the previous chapter, these loose restrictions can facilitate the trade of illegal as well as legal goods around the world.

Most FTZs are in **developing countries**, where their number has grown rapidly. In 1971, nine countries had established FTZs, and by 1975, this had grown to 79 FTZs in 25 countries. By 2000, this had grown further to about 1,000 FTZs in 100 countries, by which time about two million people were employed in FTZs around the world, 90% of whom were females. Of these FTZs in 2000, 124 were located in China, where 18 million workers were employed. Growth has continued since then, and **current estimates** show that there are some 3,500 FTZs in 130 countries, employing about 66 million workers.

**Asian FTZs** dominate these figures with 85% of FTZ employment being in Asia, mainly in China, India, the United Arab Emirates, the Philippines and Bangladesh. Away from Asia, countries with significant FTZs include Nigeria, Egypt, Colombia, Uruguay and Panama. Even the isolated country of North Korea has two FTZs. One FTZ, the Rason Special Economic Zone, is located on North Korea's borders with China and Russia in the far north-east of the country. The other FTZ is the Kaesong Industrial Zone, located near the border with South Korea. In this FTZ, South Korean companies produce goods using low-wage workers from North Korea intermittently when political relations between North Korea and South Korea are calm enough to allow the FTZ to function.

**Early FTZs** that were established in the 1970s tended to concentrate on industries such as **textiles**

and the assembly of **electronics**, usually employing young **female workers**. In recent years, FTZs have expanded their operations to include **logistics** centres, **high-tech scientific** products, and even **tourist resorts**.

One of the largest FTZs in the world is the **Shanghai Free Trade Zone**. The Shanghai FTZ is situated to the east of the city centre of China's largest city, Shanghai, on the east coast of China near the mouth of the Yangtze River, which serves as a major transport artery to China's inland provinces. For several decades, coastal China has been the fastest growing area in terms of **economic expansion** in the world, and Shanghai has been at the forefront of this growth.

As shown in figure 3.25, the established urban area for about 150 years has been the western bank of the Huangpu River, known as **Puxi**. In 1993, the Chinese government designated the eastern bank of the Huangpu River, known as **Pudong**, as a Special Economic Zone.

This area, measuring 1,210 square kilometres (which was half as big again as the country of Singapore), received significant **investment of funds**, and within a few years, a new, modern city had emerged in an area that had been small villages and vegetable gardens. Today, Pudong has a population of more than five million people that continues to grow by about 5% per annum, solely as a result of **in-migration** of people from elsewhere. About 40% of Pudong's population have moved from other provinces or other cities in China.



**3.22** The buildings in this view indicate the Kaesong Industrial Zone in North Korea, seen here from Panmunjom in South Korea.



**3.23** The Kaesong Industrial Zone is located very close to the border between North Korea and South Korea. It is seen here from the North Korean side, looking south towards South Korea.



**3.24** A large sign in Chinese and English encourages investment in the Shanghai Free Trade Zone during its early years of development.



**3.25** The Shanghai Free Trade Zone has three zones. The Waigaoqiao and Yangshan Zones are centred on shipping ports, whereas the Airport Zone focusses on Pudong International Airport, Shanghai’s main international airport. The area shaded in red is the main urban area of Shanghai, also known as Puxi (meaning the west bank of the Huangpu River). The FTZ is located entirely in Pudong (meaning the east bank of the Huangpu River). After Google Earth.

The **Shanghai Free Trade Zone (SFTZ)** was established in 2013, initially covering an area of 120 square kilometres. The SFTZ was formed by **amalgamating** four smaller FTZs in Shanghai: the Waigaoqiao Free Trade Zone, the Waigaoqiao Free Trade Logistics Park, the Pudong Airport Comprehensive Free Trade Zone, and the Yangshan Free Port Area. In 2015, these areas were **expanded** greatly to cover most of Pudong, including the Lujiazui Financial and Trade Zone and the Jinqiao Export Processing Zone. The SFTZ in its current enlarged form is shown in figure 3.25.

The SFTZ uses its **central location** within East Asia’s expanding economies and the regions shipping and air transport routes. By operating as a free trade zone, the SFTZ can avoid the complex

**bureaucracy and regulations** that are usually involved when foreign companies trade with China or establish manufacturing facilities there.

Foreign firms have been **attracted** to the SFTZ by several incentives, including:

- **simplified regulations** for starting new businesses
- establishment of resolution procedures to **settle disputes** between companies and their employees that include provisions favouring foreign companies
- a **tax-free period** of ten years for companies setting up in the SFTZ
- **unrestricted convertibility** between foreign currencies and Chinese currency



3.26 Part of the Lujiazui Financial and Trade Zone in Pudong, that became part of the SFTZ in 2015.



3.27 The software development complex in Lingang, part of the Yangshan Zone of the Shanghai Free Trade Zone.



3.28 The container terminal of Yangshan Harbour in the Yangshan Zone of the Shanghai FTZ.

The **advantages** of hosting an FTZ seem clear to many governments in developing countries, as shown by the fact that they are found in so many countries around the world. FTZs help **integrate** a country into **global supply chains**, which for many low-income countries, helps them transform an economy that is focussed on imports into an **export-oriented economy**. FTZs have been shown to encourage **foreign investment** by TNCs, although opponents argue that this also imposes **neoliberal globalist ideas** upon the country. Specific **advantages** of FTZs include:

- increased **exports** that raise **foreign income** earnings.
- **employment** creation, especially for women, usually with **wages** that are higher than rural areas of the country.
- inflows of **foreign investment** into countries where investment funds are scarce because general savings levels are so low.
- introduction of **new technology** that enables a country to develop new forms of manufacturing and service industries that were previously not possible.
- **flow-on effects** from the FTZ to the country's wider economy through income tax revenue to the government, income to local factories and services that support industries in the FTZ and infrastructure provided to the FTZ that can be used by local people and companies.

The countries that have **benefitted** most from FTZs have been China, South Korea and Indonesia, where there has been **surplus labour** in search of work, and where the benefits of the growth within the FTZs have **flowed on** (or trickled down) to the wider population.

On the other hand, other countries such as the Philippines and North Korea have **not benefitted** greatly from having FTZs. In the case of the Philippines, this has been because the **high cost of infrastructure** provided by the government to service the FTZs has cost more than the additional revenues earned. In the case of North Korea's FTZs, which are built near the borders of neighbouring countries, **political tensions** (especially with South Korea) have led to sudden periodic closures of the FTZs, leading to a loss of business confidence and thus reductions in investment.

- the potential to produce **export-oriented goods** using **low-cost labour** in a region of the world where **economic size** and people's **affluence** are rising sharply.

Specific **disadvantages** of FTZs include:

- Much of the employment generated is routine, repetitive, high intensity work that earns **low wages** (by world standards), often in situations where **workers' rights** are suppressed.
- Some governments have used the establishment of FTZs to **suppress organised labour** movements such as trade unions within the free trade zone area.
- **Unsafe working conditions** are a problem in some FTZs because of cost-cutting by companies that face competitive pressures to keep costs of production as low as possible, and loose building regulations permitted by governments.

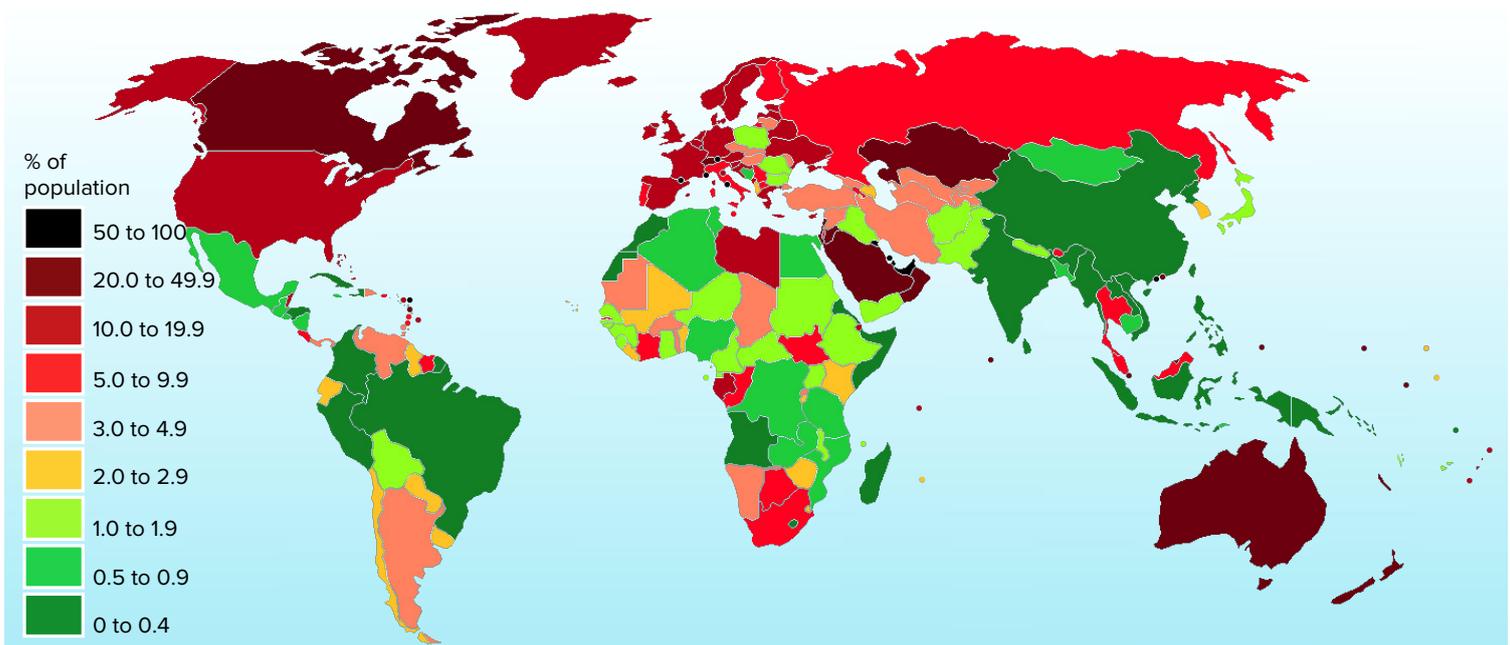
### QUESTION BANK 3B

1. What is the difference between a free trade area and a free trade zone?
2. Why do many governments establish free trade zones?
3. Outline the growth of free trade zones since 1971.
4. Make a point form list of the characteristics of typical free trade zones.
5. Describe the impact of the Shanghai Free Trade Zone (a) on China, and (b) on global interactions.
6. Discuss the advantages and disadvantages of free trade zones, finishing with your own conclusion and explanation of why, in your opinion, they are a positive or negative force in global interactions.

## Economic migration controls and rules

**Economic migrants** are people who move internationally to improve their standards of living. The **usual direction** of movement is from a low-income or middle-income country to a high-income country that offers the possibility of **better job opportunities** and more acceptable **living conditions**. Most economic migrants are voluntary migrants, as opposed to forced migrants who are compelled to move because of war, environmental disasters or political, religious or ethnic persecution.

**Immigration** can be defined as the international movement of people for the purpose of permanent settlement. Traditionally, voluntary international migration usually occurred primarily for **family reunification** (the main cause to countries such as Australia and Canada) or for **employment** (the main cause to countries such as the United Arab Emirates and Germany). In recent years, the **motivations** to migrate internationally have diversified with additional reasons becoming increasingly significant, such as **international education, arranged marriages, adopted children and retirement relocation**. These changes have resulted in a significant shift in the gender balance of migrants and an increase in the rate of female international migration. Today, about 200 million people were born in a different country to the one where they are currently living; this represents



3.29 Immigrants as a percentage of total population, 2015. Source: United Nations Population Division.

about 3% of the world's population. The **global distribution** of immigrant population is shown in figure 3.29.

In an increasingly globalised world, where people have **better information** about job opportunities and the differences in wealth from place to place, the **rate of international migration** is rising amongst people in search of employment. This has led to very **high rates of immigration** in some countries and regions, such as the United Arab Emirates (884 migrants per 1,000 population), Qatar (755 migrants per 1,000 population), Liechtenstein (626 migrants per 1,000 population), and Macau (583 migrants per 1,000 population). Similarly, some countries and regions that are sources of labour that supply economic migrants are experiencing **significant emigration** (loss of people) for the same reasons, some examples being Bangladesh, India, Morocco, Pakistan, Turkey, Guatemala, Honduras and the Philippines.



**3.30** The United Arab Emirates has the world's highest proportion of immigrants in its population, with 88.4% of its population having migrated from other countries for employment. Many of the immigrant workers accept labouring jobs on building sites, such as the ones shown here in Dubai.

For an economic (or any other) immigrant to work in a country, the migrant needs to obtain a **work visa** and/or a **residency permit**. These conditions apply everywhere except regions where multilateral or bilateral agreements allow **freedom of movement** for employment, such as within the European Union or between Australia and New Zealand. Without a visa and permit documents, employment is illegal, and both the employer and employee can be punished. These regulations are put in place to **protect the economic welfare** of residents of the destination country, as the potential

exists for their wages and conditions to be undermined by desperate, poverty-stricken economic migrants who are prepared to work under worse conditions for less remuneration than local workers — a form of **downward harmonisation**. This potential conflict between the interests of immigrants and long-term residents is the reason that economic migration can be a contentious **political issue** in some regions such as North America and Western Europe.

A response to economic migration in several parts of the world has been attempts to introduce **tighter controls** on immigration. This trend has been complicated by the rise of some regional MGOs. For example, the European Union has made economic migration easier by reducing barriers to movement between member countries, but this has had the **unintended consequence** of expanding the flow of unauthorised migrants.



**3.31** In an effort to stop unauthorised economic migrants crossing the border from North Korea into China, the Chinese authorities have constructed concrete and barbed wire walls along many stretches of the border between the two countries. This section of wall is at Hushan, near Dandong, seen from the Chinese side. North Korea is to the right of the photo, across a small anabranch of the Yalu River.

The twin impacts of expanding legal immigration while also creating illegal flows has been especially clear among **NAFTA** (North American Free Trade Association) countries. Under the NAFTA Agreement between Canada, Mexico and the United States, the movement of professional people such as doctors, academics, and business executives is facilitated by **streamlined visa arrangements**, **expedited travel** and **temporary residency** across the three countries.



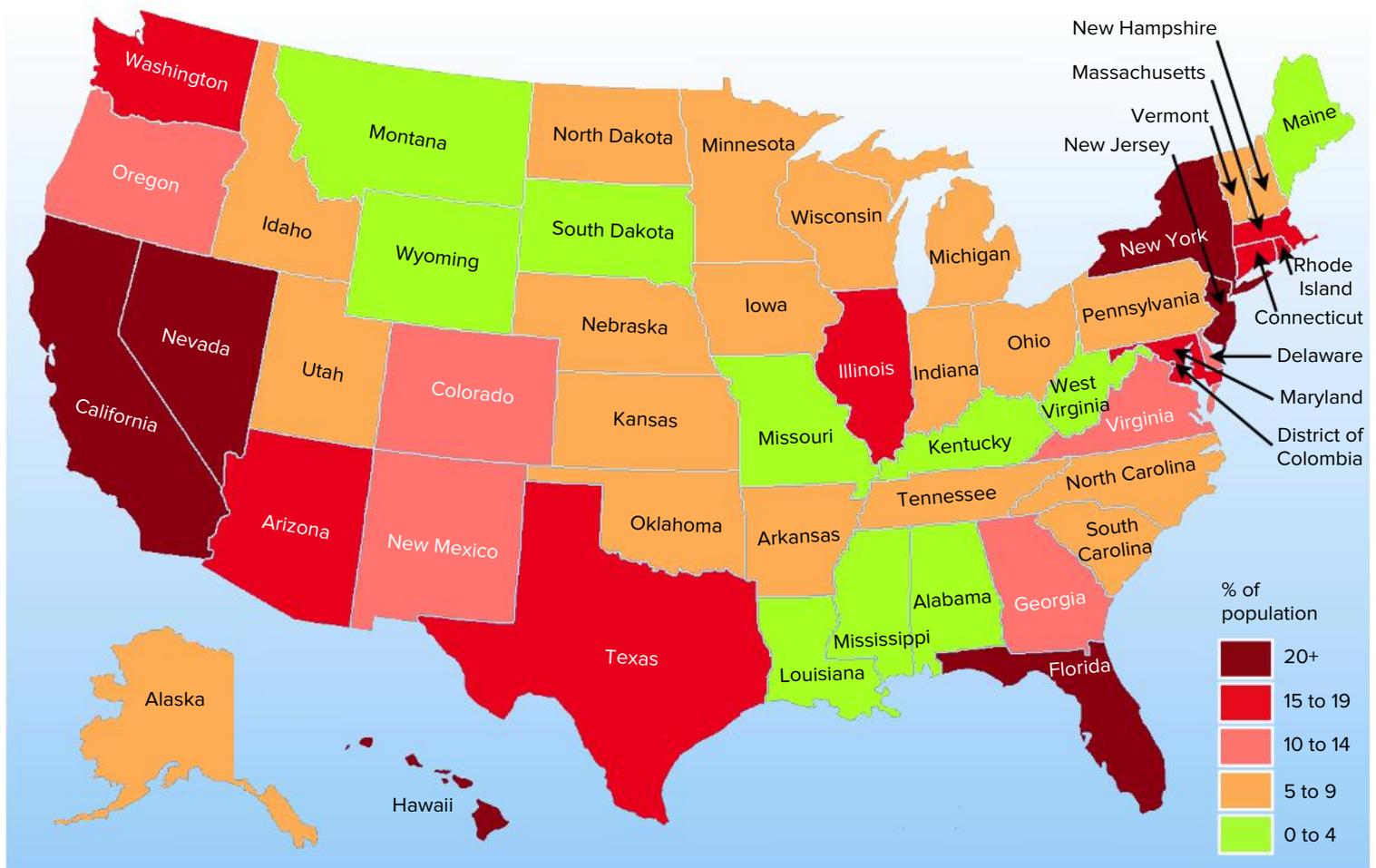
3.32 A large sign in Lomé, the capital city of Togo, encourages potential economic migrants to apply for immigration to Canada.

On the other hand, NAFTA's **tariff reductions** have allowed large quantities of government-subsidised US and Canadian grain to flow into Mexico, **ruining the livelihoods** of many small-scale and medium-sized Mexican grain farmers, forcing many of them out of business. Unfortunately for Mexican consumers, the subsidised US and Canadian wheat has not reduced food prices in Mexico because the food industry is controlled by

monopolistic interests. When the Mexican farmers were forced out of business, most of them moved as **rural-urban migrants** into towns and cities to find work. However, towns and cities in Mexico were unable to provide enough jobs, so large numbers of former farmers began **migrating across the land border** into the United States **without official permission** in search of work and a better life.

Many of the Mexican immigrants entered the United States without proper documentation such as visas or work permits, and in many cases, without even a passport. This made them **vulnerable to exploitation** by some employers who paid subsistence wages, answering complaints about low pay with threats to turn undocumented immigrants over to the authorities. During periods when the US economy has been in recession, immigration has become a significant political issue as the demand for additional workers declines, **unemployment** rises, and calls for the **deportation** of undocumented migrants become more vocal.

To place this situation in perspective, the United States **accepts more legal immigrants** as permanent



3.33 Immigrants who were born overseas as a percentage of total population in each state, United States of America, 2015. Source: New York Times.

## Chapter 3 - Human and physical influences on global interactions

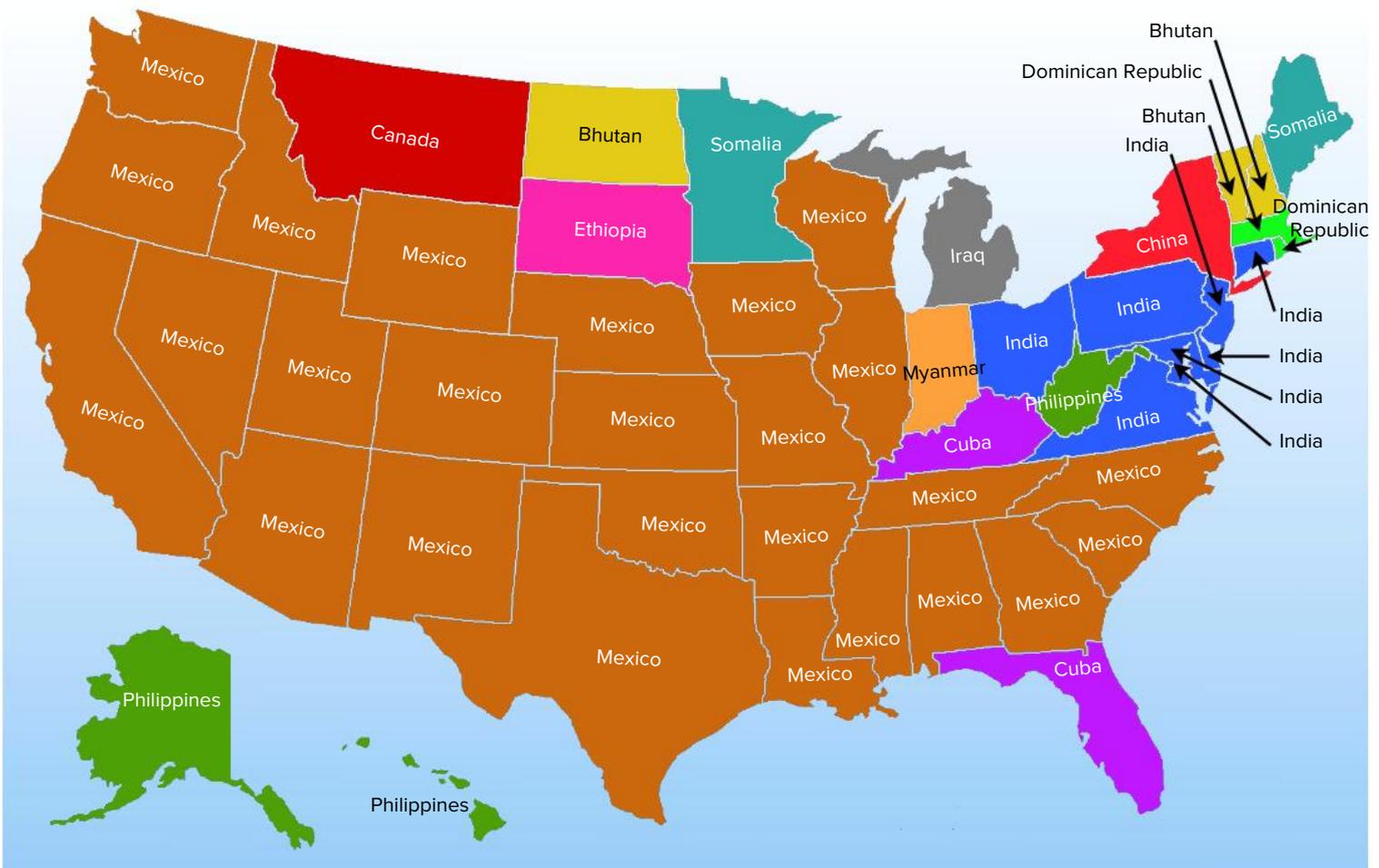
residents than any other country in the world, followed (in order) by Germany, Russia, Saudi Arabia, the United Kingdom, the United Arab Emirates, Canada, France, Australia and Spain. The number of immigrants in the United States today is about 47 million people (of a total population of 325 million). The most important source countries for immigrants to the US are (in descending order of importance) Mexico, India, China, the Philippines, Cuba, the Dominican Republic, Vietnam and South Korea. Overall, the United States receives slightly more (authorised) immigrants each year from Asia than from the America, chiefly from Central and South America.

A large number of the immigrants from Mexico and other Latin American countries such as Guatemala, Honduras, Nicaragua and El Salvador to the United States make the move without first obtaining the legal documentation. It is estimated that there are about 11 to 12 million **undocumented immigrants** in the US, of whom over half are from Mexico and a quarter are from other parts of Latin America. About 25% of the illegal immigrants live in California, the largest US state adjoining Mexico.



**3.35** In some areas on the American side of the US-Mexican border, pro-immigration activists have placed drums with food and water for undocumented immigrants who have crossed the border. Marked by high flags so they can be easily spotted from a distance, the food and drink is provided as a response to immigrant deaths due to dehydration or hunger. This example is near Octillo, California (USA), about four kilometres north of the border with Mexico.

Many of the undocumented immigrants from Mexico to the USA cross the land border between the two countries, usually at night. Much of the border is fenced, heavily patrolled and the natural

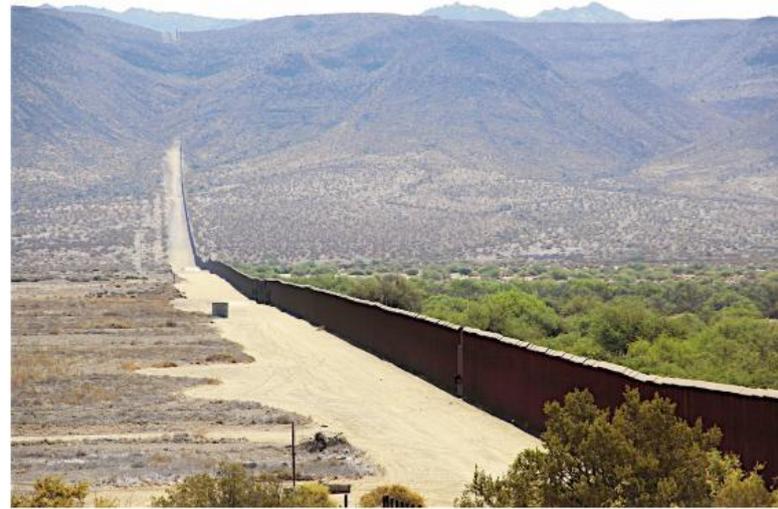


**3.34** The most common country of origin of immigrants who entered the United States legally for each state, 2015. The names of states are shown in figure 3.33. Source: United States Department of Homeland Security.

## Chapter 3 - Human and physical influences on global interactions

environment is hostile, being hot, arid desert. Because of the difficulties of making a successful border crossing, many of those wishing to migrate without prior permission hire professionals, sometimes referred to as **people smugglers**, who know the local terrain and situation, and agree to show them a way across the border in return for a payment. In an effort to reduce unauthorised border crossings, the US Government has approved construction of a **barrier** (sometimes referred to as a 'wall') along the border and to increase the number of armed patrols that police the border zone.

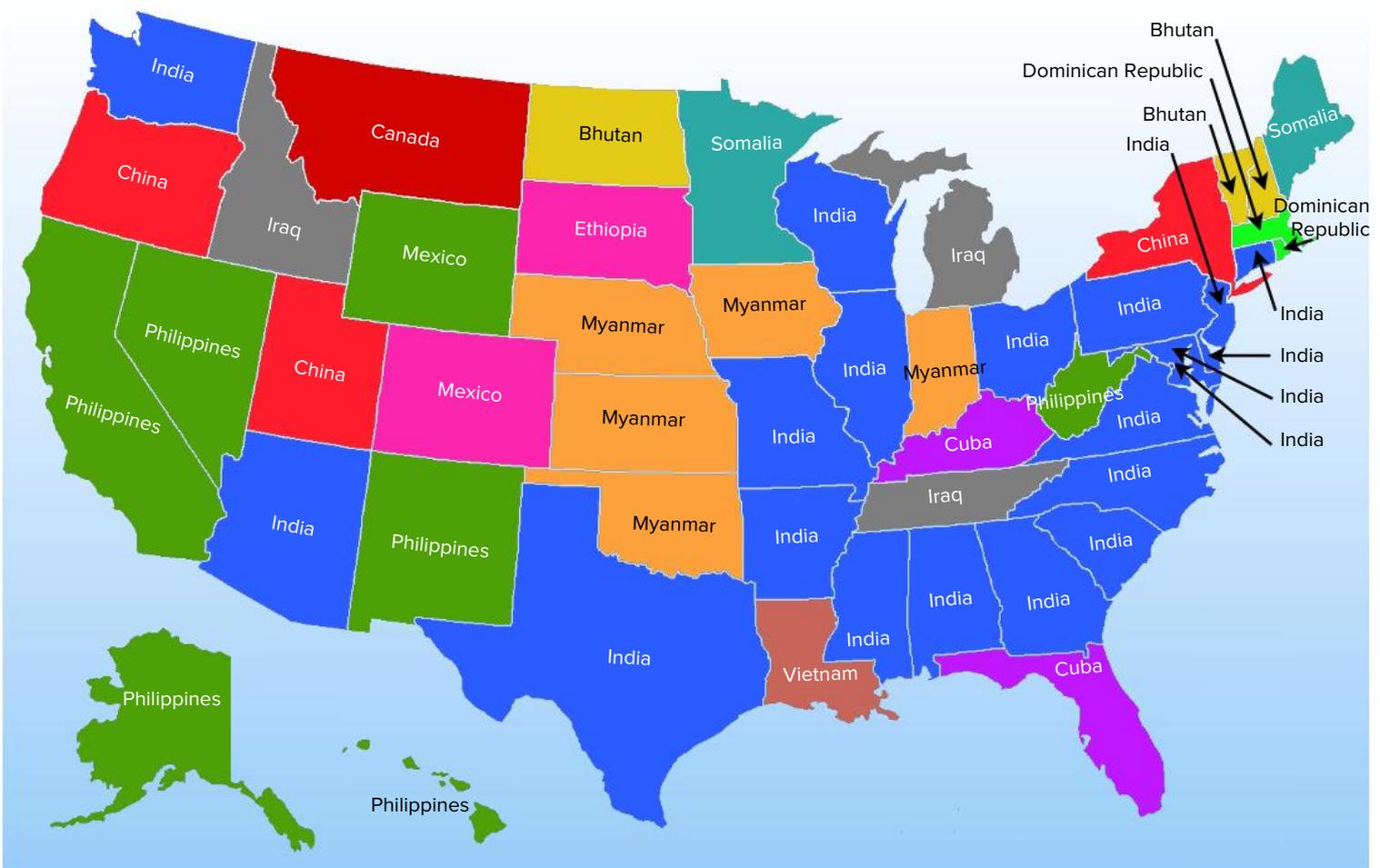
Another illegal way for economic migrants to move to the US is to remain after a legitimate visa has expired. Such immigrants are known as '**visa overstays**', and they tend to be better-educated and more professional people than those who attempt the dangerous border crossings. About half the illegal immigrants in the USA are 'visa overstays', and to control this situation, US officials have **tightened the processes of data gathering** for all foreign visitors. Measures introduced by US authorities include the collection of biographic, travel, and biometric information such as



**3.37** A newer section of the border wall between Jacumba Hot Springs, California (United States, left) and the sparsely settled area of Ejido Jacumé in Mexico (right). A slatted fence separates the two countries along the border, and a patrol road on the US side is used by US border patrols.

photographs and fingerprints, and increasing insistence that all foreigners to the United States use electronically readable passports.

A third form of unauthorised immigration to the USA involves various types of **visa fraud**, which means obtaining a visa on false grounds. The most



**3.36** The most common country of origin, other than Mexico, of immigrants who entered the United States legally for each state, 2015. The names of states are shown in figure 3.33. Source: United States Department of Homeland Security.



**3.38** An older section of the border fence, looking from the USA into the Mexican town of Tecate.

common type of visa fraud is the ‘**green card marriage**’ in which a foreigner marries an American citizen specifically to settle in the United States, even though they have no intention of living together as a couple. Other examples of visa fraud include **mail order brides**, **human trafficking**, or **payments** to American citizens for writing a false personal letter of recommendation. When effective security checks are not conducted, visa fraud is very difficult to control until it is exposed after a migrant has already arrived in the United States.

Paradoxically for a country that was built on migration, immigration has become a **controversial issue** in the United States. It is the subject of fierce debates in the media, and it was one of the most significant issues in the 2016 Presidential election. **Public opinion polls** are almost evenly split between those who believe undocumented immigrants take jobs away from Americans and draw undeserved government welfare payments on the one hand, and those who believe undocumented immigrants perform the jobs that Americans are unwilling to perform and thus add value to the economy on the other. To some extent public opinion in the United States has discriminatory undertones as surveys show a majority view among Americans that the migration of Poles, Koreans, Italians, and Jews has been very positive for the US, whereas migration of people from Mexico, the Philippines and the Caribbean is overwhelmingly viewed negatively.

### QUESTION BANK 3C

1. Define the term ‘economic migrant’

2. Outline the motivations for economic migration.
3. With reference to figure 3.29, describe the global pattern of the concentration of immigrants as a proportion of total population.
4. Describe the controls and rules that governments typically set in place to control economic migration.
5. How has NAFTA affected the movement of migrants between Canada, the United States and Mexico?
6. With reference to figures 3.33 and 3.34, describe the distribution of immigrant groups in the United States.
7. Describe the ways in which economic immigrants from Mexico and other Latin American countries gain residency in the United States.
8. With reference to figure 3.36, describe the distribution of immigrants in the United States, and suggest reasons that the states with high concentrations of immigrants might be attractive to immigrants.
9. Explain why immigration is often a contentious issue in the United States.

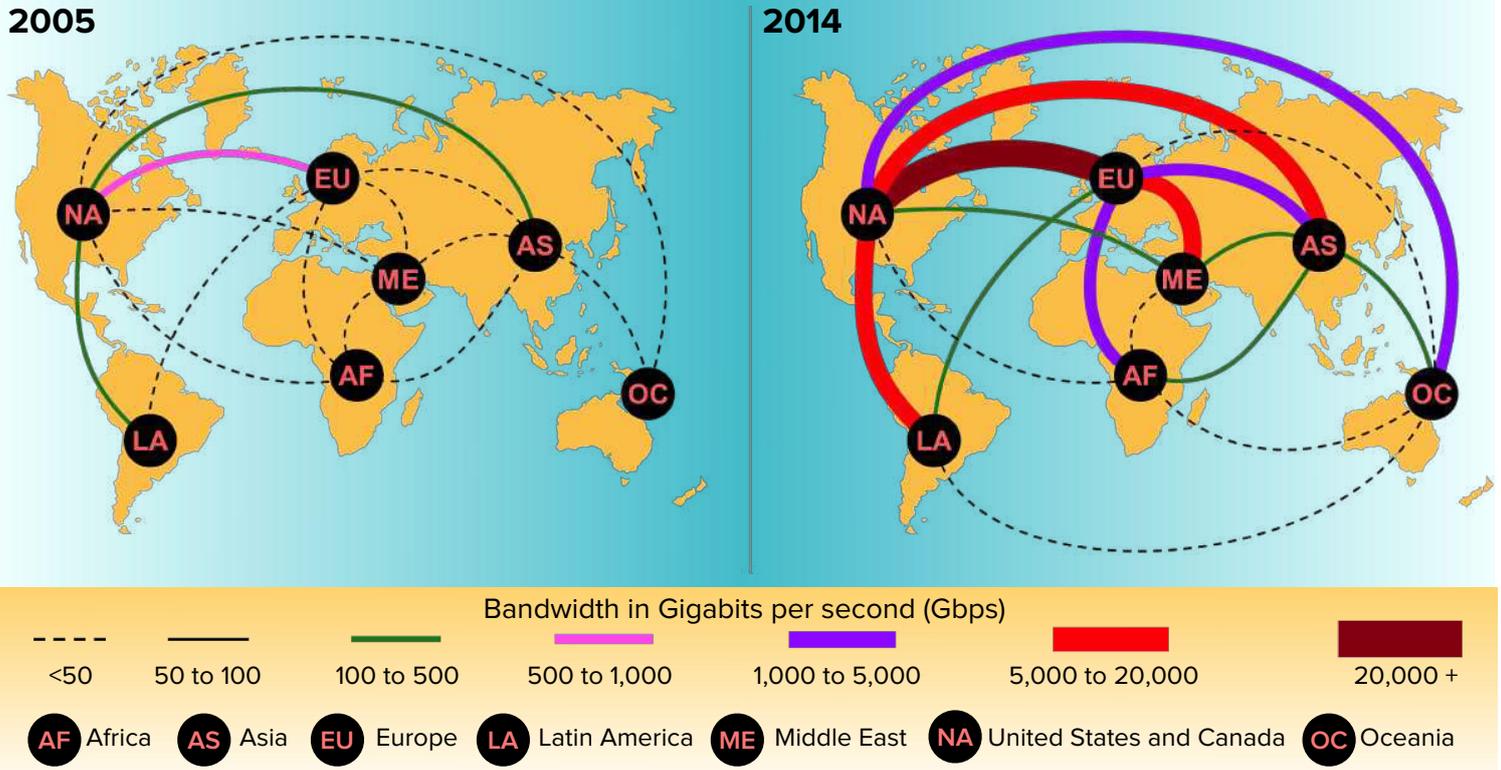
## Our ‘shrinking world’

### Changing global data flow patterns and trends

*“Somewhere in Kenya, a girl logs on for a personalised math lesson from California-based Khan Academy. Thousands of Syrian refugees rely on Facebook updates for the latest information to guide their journey through Europe. A multinational energy giant launches plans to use sensors on 4,000 oil wells around the world to monitor production remotely. A*



**3.39** These large advertisements in Ouagadougou, Burkina Faso, promote two types of data flow, internet surfing and electronic cash transfer. Only 11% of people in Burkina Faso use the internet.



**3.40** Growth in cross-border data flows, 2005 to 2014. During the period from 2005 to 2014, total cross-border data flows rose from 4.7 Terabits per second (Tbps) to 211.3 Terabits per second (Tbps), an increase of 45 times. Note that the lines represent interregional data flows (such as between North America and Europe), and do not include intraregional data flows (such as connections between countries within Europe).

Sources: TeleGeography, Global Internet Geography, McKinsey Global Institute (2016) *Digital Globalization: The New Era of Global Flows*, p.31.

*manufacturer in Australia buys components from a Chinese supplier on Alibaba, and a clinical trial in India transmits patient data to US pharmaceutical researchers” (McKinsey Global Institute, 2016).*

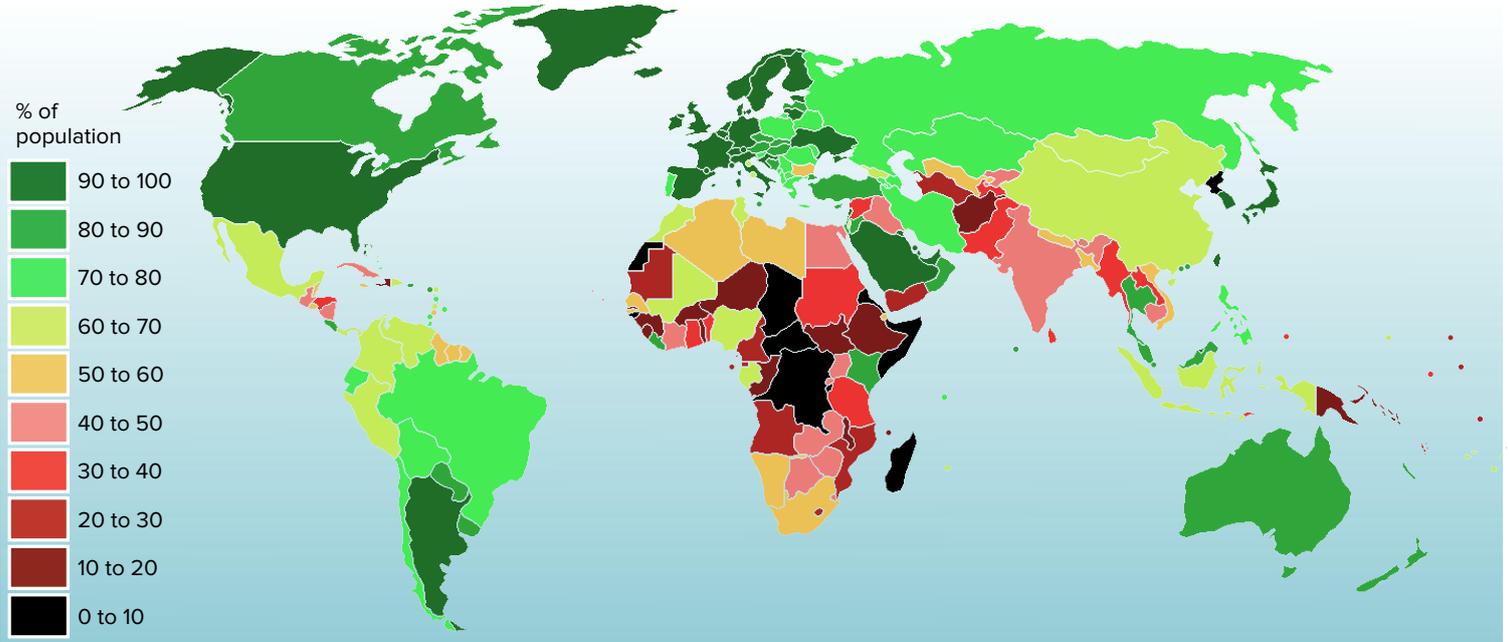
The anecdotes in this quote highlight the growing **scale** and **complexity** of **data flows** around the world as an integral part of the global economy and personal connectivity. In the period since the global financial turmoil of 2008, the growth of trading in goods around the world has slowed, as have global financial transactions. However, during the same period, digital data flows have grown at an exponential rate. It could be argued that data flows have replaced economic flows as the main engine of lower case ‘g’ globalisation.

Figure 3.40 shows the **distribution** and **growth** of major global data flows. **Global data flows** can be defined as the movement of information in digital form, including internet searches, communications, online purchases, video (including conferencing), online tracking (including using RFID chips), and encrypted data across national borders. **Video** uses the majority of internet bandwidth, but **business applications**, including the **Internet of Things**,

which is the internetworking of physical ‘smart’ devices embedded with chips, sensors and software, are growing rapidly in importance. Growth in this field is so rapid that the US-based multinational technology conglomerate, Cisco, estimated that by 2019, **machine-to-machine connections** comprised over 40% of internet devices and data transfers.



**3.41** Only 8% of people in Papua New Guinea use the internet. This large sign beside a sports field in the country’s capital, Port Moresby, is encouraging residents to get online to watch sporting competitions.



3.42 Internet users per 100 people, 2019.  
Sources: Internet World Stats ([www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)).

Figure 3.42 shows the **proportion of people** in each country who use the internet. Countries range from situations where almost everyone uses the internet, such as Iceland (98.6% of the population), Bermuda (98.0%), and Luxembourg (97.8%), down to countries where very few use it, such as Chad (6.5% of the population), Western Sahara (4.8%), Eritrea (1.3%) and North Korea (0.1%). Today, every country in the world has access to the internet (although in North Korea access is limited to diplomats, foreign workers and highly ranked government officials). It is hard to imagine that as

recently as 1993, only 60 countries had any connection to the internet.

As the internet has spread to more and more countries, it has influenced local cultures and ways of thinking as well as commercial activities. This is because the internet has great potential to introduce powerful **new ideas** very quickly, together with the opportunity to communicate rapidly and cheaply with other people through chat sessions, internet messaging (IM), e-mail, internet telephony such as Skype, videoconferencing, social media sites such as Facebook, Flickr, Instagram, Reddit, and so on. In recent years, social networking sites and micro-blogging sites such as Twitter have had a major impact on the ways in which the internet is used as well as the profiles of those using the internet. If the number of people using Facebook and several other online platforms were countries, they would be some of the most populous countries in the world, as figure 3.44 shows.

Research in 2016 by the worldwide management consulting firm, McKinsey, showed the **types of people** who are engaged in **cross-border social media** connections:

- social networking users with at least one foreign connection: 914 million
- international travellers: 429 million
- cross-border e-commerce shoppers: 361 million
- people living outside their home country: 244 million



3.43 North Korea is one of the most isolated countries on the planet, and it has the world's lowest percentage of people who use the internet. These researchers in the Grand People's Study House in Pyongyang are undertaking research using the national intranet, which consists only of sites that have been developed by the government or academic institutes approved by government authorities.

## Chapter 3 - Human and physical influences on global interactions

- cross-border online workers: 44 million
- cross-border online students: 13 million
- students studying abroad: 5 million

(Note that these figures have been adjusted to avoid double-counting due to overlap between platforms and for individuals making multiple international trips in the same year. All figures have grown since 2016).

About 15% of all the **global trade of goods** is now done online, largely through international **e-commerce sites** such as Alibaba, Amazon, eBay, Flipkart, Groupon, Rakuten and Zalando. Even websites that appear to be free, such as YouTube, Facebook and search engines such as Google and Yahoo, are powerful drivers of e-commerce through advertising, promotion of content, posting online reviews, and harvesting users' search patterns and profiles.

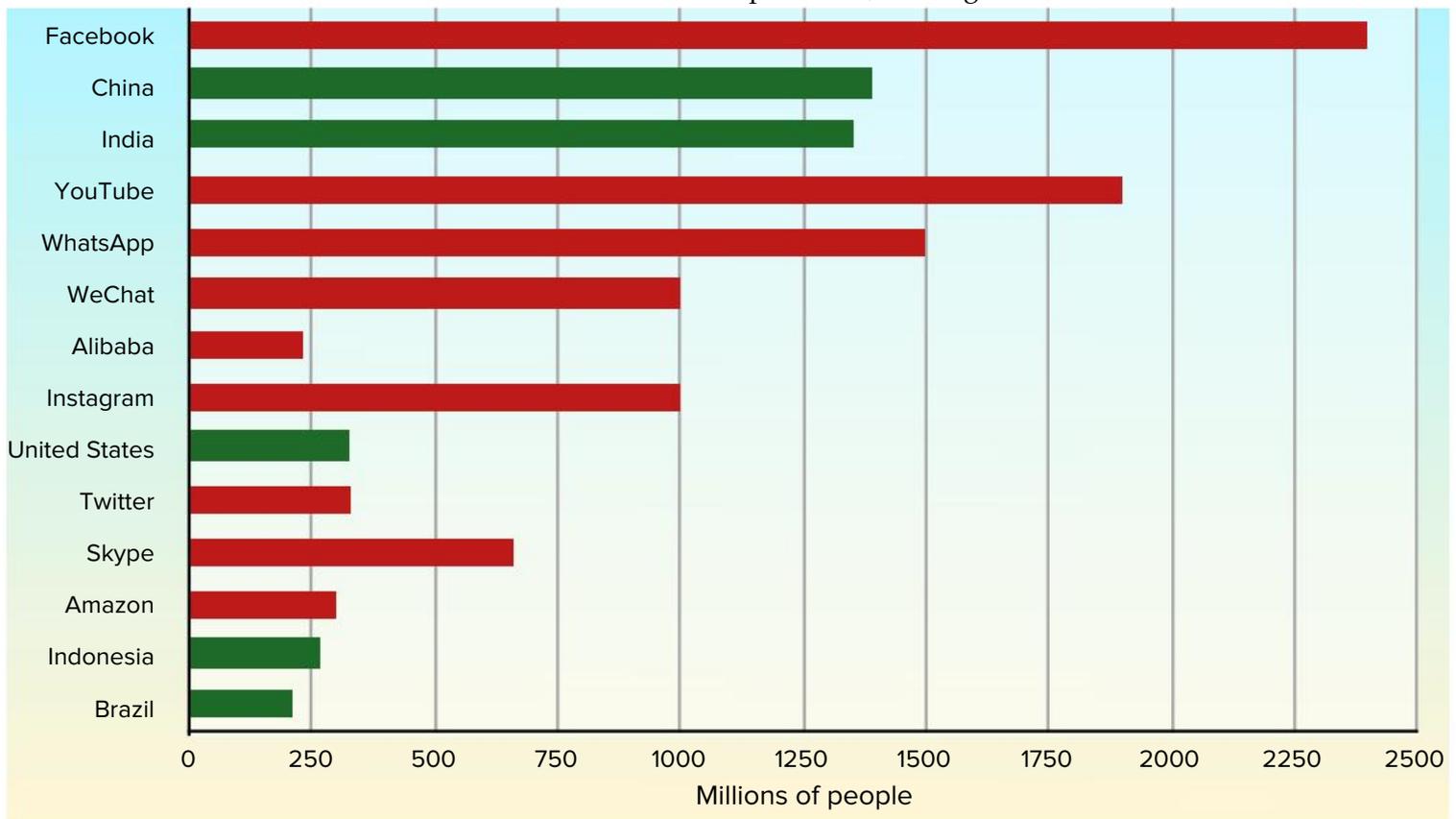
A specific area of e-commerce that has seen large growth in recent years has been travel, and online **travel websites** such as Expedia, ODIGEO, Priceline, and TripAdvisor now rank among the 25 largest internet companies by revenue and market capitalisation. Airbnb was founded in 2008, and by 2019 it had built a network of over 7 million listings in more than 190 countries. Within forty days of



**3.45** An internet café in Esfahan, Iran. The governments of countries that are less open to foreign cultural influences (such as China, Myanmar, and many Middle Eastern and Gulf nations) often attempt to control the internet through filtering and censorship, claiming that doing this helps to protect local morals and values.

the United States and Cuba reopening ties in 2016, Airbnb was listing about 2,000 properties in Cuba for accommodation bookings. Another travel website, couchsurfing.com, which encourages face-to-face cultural exchanges, claims to have ten million members world-wide.

Major **media companies** have also adopted online platforms, although this has been more successful



**3.44** Active user numbers for the nine largest online platforms (shown in red) compared with the populations of the world's five largest countries by population size (shown in green), 2019. Sources: United Nations Population Division. World Population Prospects, Facebook, Twitter, Alibaba, *Fortune*, Statista, McKinsey Global Institute analysis.

for selling e-books, music and videos (such as Amazon, Apple, Google, Hulu, Netflix, and Spotify) than for paid news services (such as the Economist, Financial Times, New York Times, Sydney Morning Herald and Wall Street Journal).

The internet is a particularly powerful agent of **cultural change** because it has the potential to reach so many users. An internet host might be an individual computer, a local area network (LAN) or a gateway to a wide area network. Therefore, a message sent through the internet may reach anywhere from one to several million users. The interconnectivity of the internet is one of its main advantages, and many users make use of this capacity to disseminate information very widely, cheaply and quickly.

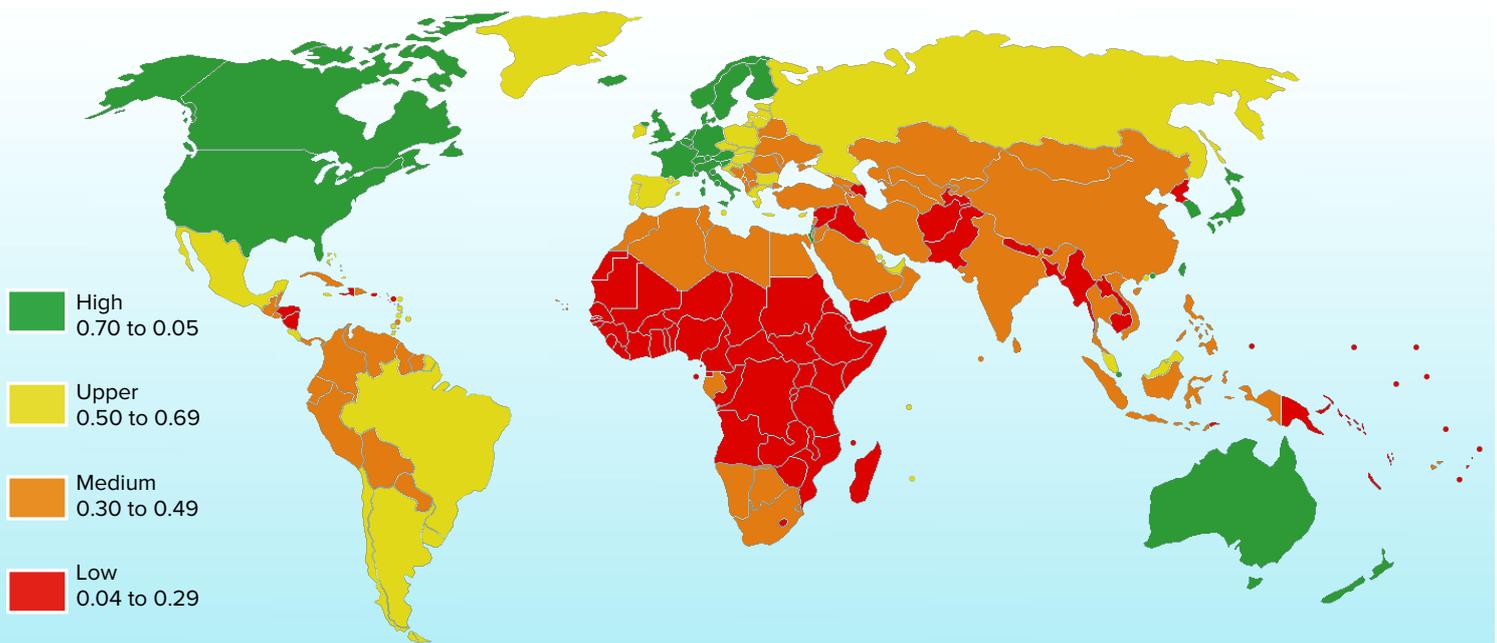
Although some countries (such as several countries in the Middle East, and in China where blocking is commonly known as the 'Great Firewall') **cancel certain sites** on the internet that are regarded as being incompatible with local moral, political and ethical values, the internet provides **equal access** to information for everyone for most places in the world that have an internet connection. In this way, the internet acts as a significant **agent of globalisation**.

There are very few examples today of countries that **prohibit internet access**. One example is North Korea, probably the most isolated and least globalised nation in the world. It does not provide any access whatsoever to the internet for its citizens. Instead, a **national intranet** that was

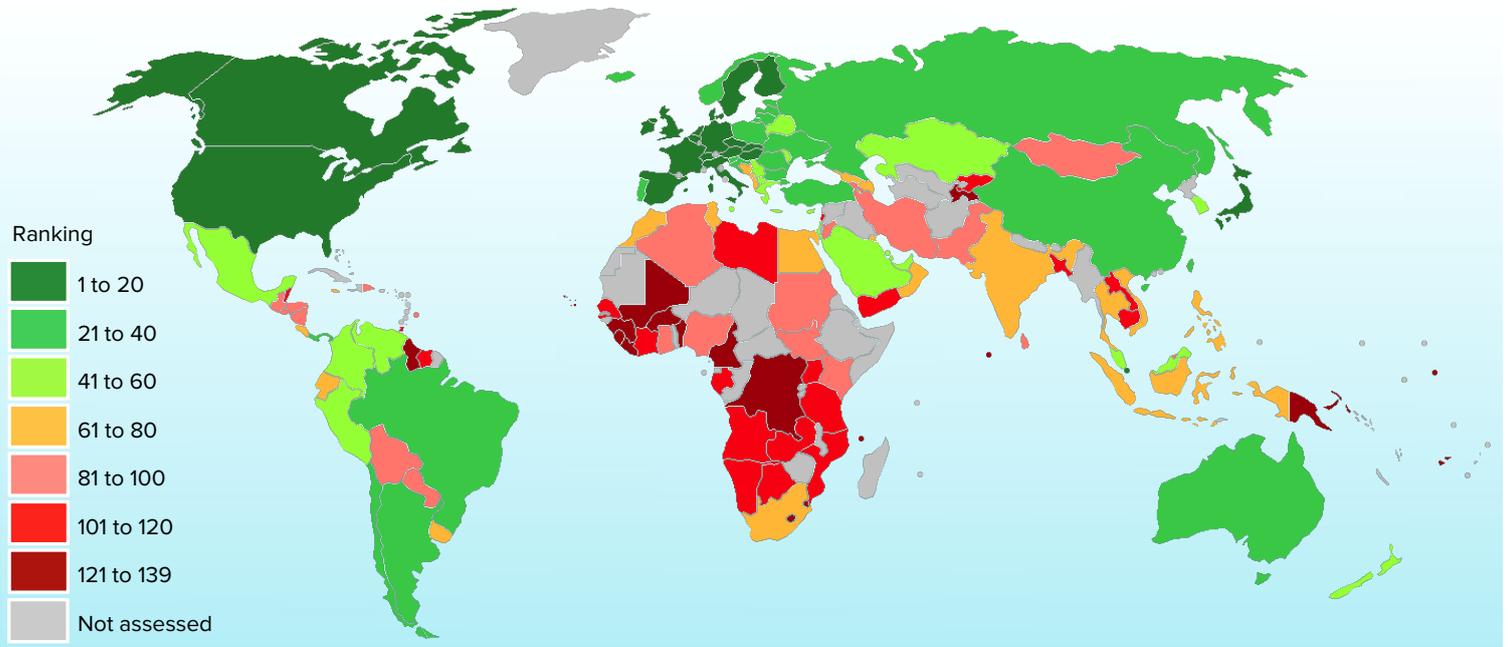
developed entirely within the country by government officials is provided in a small number of major public libraries, such as the Grand People's Study House in Pyongyang. Access to outside information in North Korea is restricted in other ways also, as mobile phones are monitored, modems (and computers containing modems) are banned, all landline telephone calls are monitored by government operators, short-wave radios are illegal, television sets can receive just one government-owned channel, and the importing of printed materials from overseas is prohibited.

In 2003, the International Telecommunications Union launched the **Digital Access Index (DAI)** to measure the ability of people in each country to use and gain access to the internet. The DAI was calculated using a range of variables:

- **Infrastructure**
  - Fixed telephone subscribers per 100 inhabitants
  - Mobile cellular subscribers per 100 inhabitants
- **Affordability**
  - Internet access price as a percentage of GNI
- **Knowledge**
  - Adult Literacy
  - Combined primary, secondary, and tertiary school enrolment
- **Quality**
  - International Internet bandwidth per capita
  - Broadband subscribers per 1000 inhabitants
- **Usage**
  - Internet users per 100 inhabitants



3.46 The world-wide Digital Access Index, 2003. Source: International Telecommunications Union.



3.47 MGI Connectedness Index; Data Dimension, 2016.

Source: Drawn from data in McKinsey Global Institute (2016) *Digital Globalization: The New Era of Global Flows*, pp.127-129.

Data was calculated for 2003 showing that the country with the highest level of digital access was Sweden, with an index of 0.85, followed by Denmark (0.83), and Iceland and South Korea (both 0.82). At the bottom of the list of 178 countries in terms of digital access were Niger (with an index of 0.04), followed by Burkina Faso (0.08) and Mali (0.09). The world distribution of the Digital Access Index as calculated in 2003 is shown in figure 3.46, providing a historical snapshot of internet access at that time. Unfortunately, the DAI **has not been updated** since the initial analysis in 2003.

In 2014, McKinsey Global Institute (MGI) introduced a measure of international connectedness called the **MGI Connectedness Index**. This index analyses **five dimensions** of international connectedness – goods, services, finance, people and data – for 139 countries. Unlike the DAI, the MGI Connectivity Index is updated regularly, the most recent revision being in 2016. Figure 3.47 shows the world distribution of the **Data Dimension** of the MGI Connectivity Index. Although it covers fewer countries, the Data Dimension of the MGI Connectedness Index provides what is probably the most thoroughly researched replacement for the old DAI.

The **top ranking countries** in the MGI Connectedness Index Data Dimension were the Netherlands, Germany, the United Kingdom, France and Sweden. Among the countries that have significant overall **global influence**, Singapore

ranked 6th, the United States ranked 7th, Japan ranked 20th, Russia ranked 25th, Brazil ranked 30th, Australia ranked 33rd, China ranked 38th, South Korea ranked 44th and Nigeria ranked 98th. The countries with the **lowest rankings**, indicating the poorest data connectedness, were Liberia, (139th), DR Congo (138th), Papua New Guinea (137th), Guinea (136th) and Sierra Leone (135th). It should be noted that the MGI Connectedness Index does not evaluate the international links for about 60 countries, many of which would rank lower than Liberia.

### QUESTION BANK 3D

1. Define the term 'global data flows'
2. Outline the argument that data flows have replaced economic flows as the main engine of lower case 'g' globalisation.
3. With reference to figure 3.40, describe the global pattern of cross-border data flows in 2014.
4. With reference to figure 3.40, describe the trends in global data flows from 2005 to 2014.
5. Describe the new types of internet use that have expanded data flows in recent years.
6. With reference to figure 3.42, describe the broad world pattern of internet users.
7. Explain the point that the information in figure 3.44 is trying to demonstrate.

8. Describe the factors that have resulted in some parts of the world having large-scale internet use while other areas remain poorly serviced.
9. With reference to figures 3.46 and 3.47, identify countries whose digital access seems to have changed substantially since 2003, recognising that these two maps use slightly different categorisations.

### Transport developments over time

Changes in **transportation** are a powerful agent in both globalisation and Globalisation. Transnational companies strive to **maximise profits**, and an important technique to achieve this goal is moving commodities through their **supply chains** as quickly and efficiently as possible to **minimise the turnover time**. Companies that are able to move commodities quickly can reduce the delay between



**3.48** Although significant transport improvements have occurred globally, it is important to remember that many people in the world spend their lives in local space using transport that is no faster than this donkey cart in Segou, Mali.



**3.49** The most significant development in transport to cause time-space compression has been jet airliners, such as this Boeing 777 at Johannesburg Airport, South Africa.

paying for their raw materials at the start of the supply chain and the taking of profits at the end of it, hence the common expression '*time is money*'. The desire to reduce turnover time has been one of the main forces driving improvements in transportation over many years.

The **trend of developments** in transport has invariably involved a combination of **increasing speed** and **reducing costs**. When industrialisation began in the 1800s, transport developments began with improvements to **roads** and the introduction of **railways** and **streamship freighters**. During the 20th century, faster technologies were developed such as **commercial jet aircraft** (to transport light and perishable goods) and **container ships** (to transport heavy and bulky cargo with cost reductions due to economies of scale). In the 21st century, the **internet** has complemented traditional forms of transport by moving **non-physical commodities** such as information, architectural plans, medical analyses, financial services and payments digitally at almost instant speeds.

In recent decades, **technological changes** in air, sea and land transport have reduced travel times and lowered costs dramatically. A journey by **sailing ship** across the Atlantic Ocean from Europe to North America that took 55 days in the mid-1600s was reduced to three weeks in the early 1800s with the introduction of **steamships**. By 1900, technical developments in steamships had reduced this travelling time to just one week. When **aircraft** were introduced in the 1920s, journey times fell to a day. Today, a trans-Atlantic flight between Frankfurt (Germany) and New York (USA) takes about eight hours in a large **jet airliner**.

We often hear the expression '*the world is shrinking*'. The expression is not meant literally, and fifty kilometres today is still the same fifty kilometres it was a century and a millennium ago. However, the expression conveys the idea that longer distances are becoming easier to cover in a shorter and shorter period of time. Developments in transportation, especially in rail and air transport, have resulted in shrinking the relationship between time and space.

The expression **time-space convergence** was devised by the geographer Donald Janelle in 1969 to define this process of shrinking time / space.



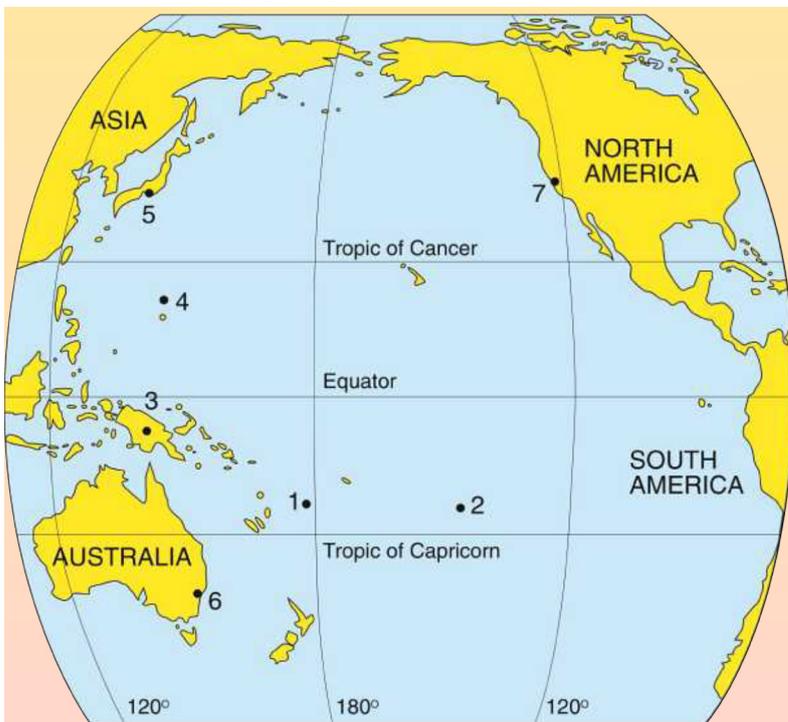
**3.50** Improved roads and the use of motor vehicles to move freight and people has led to time-space convergence in developing countries when compared with traditional freight transport, such as the donkey cart shown in figure 3.48. This car is hauling freight on the transnational highway near Kilibo, Benin.



**3.52** Compared with the improvements in speed and freight capacity demonstrated in figure 3.50, much greater time-space convergence rates have resulted from high speed rail transport, especially in China, Japan, and Europe. This train is at Paddington Station in London, United Kingdom.

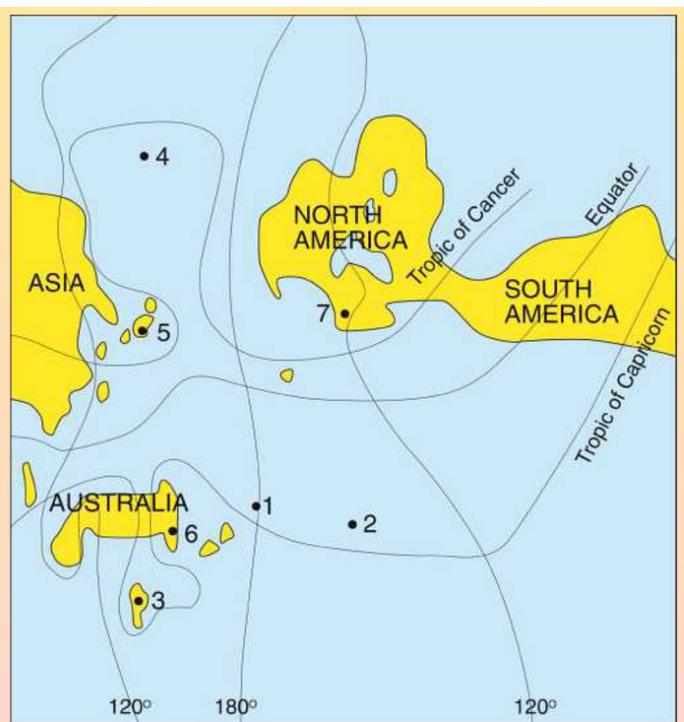
Janelle said that improvements in transport technology have the effect of ‘moving’ places towards one another, reducing the significance of time as a measure of distance between the two places. He argued that the velocity at which places are moving towards each other can be measured as a **time-space convergence rate**. For example, Sydney and Brisbane are approximately 1,000 kilometres apart. In 1917, it took three days to travel between Sydney and Brisbane by coastal

steamer boat, but today it takes just one hour and 25 minutes by airliner. Therefore, we can say that time-space convergence rate between Sydney and Brisbane was about 42 minutes per year over a 100 year period. In 1920 it took 4,320 minutes, and in 2020 just 85 minutes; the difference is 4,235 minutes, divided by 100. On the other hand, if we were to make the journey between Sydney and Brisbane by ship today, the reduction in time over the past century would be much less. Time-space



1 = Fiji 2 = French Polynesia 3 = Papua New Guinea 4 = Northern Mariana Islands 5 = Tokyo 6 = Sydney 7 = San Francisco

**a. Conventional projection of the Pacific Ocean**



**b. Time-space map of the Pacific Ocean, based on relative time accessibility by scheduled airlines.**

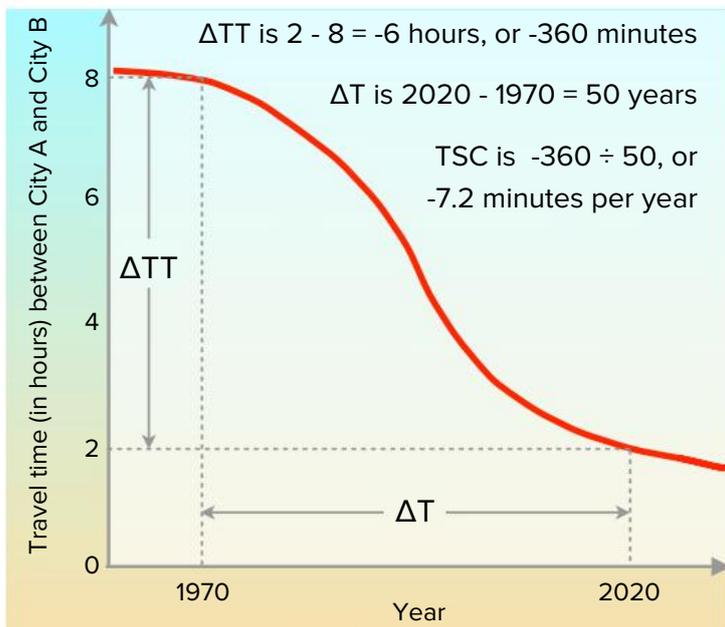
**3.51** Mapping time-space convergence, in which places appear to move together or apart according to the time needed to travel between them.

convergence is **greater with air transport** than it has been by road or rail, which in turn have shown greater time-space convergence than ocean transport.

The result of time-space convergence is shown in figure 3.51. Figure 3.51a is a conventional map of the Pacific Basin. Figure 3.51b shows the same area distorted to reflect time-space relationships. The distances in figure 3.51b are measured not by absolute distance, but by the time taken to travel between two points. When travelling time is taken into account, points with good connections such as Tokyo, Sydney and San Francisco appear to move towards each other, while others such as Papua New Guinea and South America appear to move further away.



3.54 Time-space divergence occurs when transport becomes slower over time, such as when traffic congestion in large cities causes more severe delays. This severe traffic congestion is in central Bangkok, capital city of Thailand.



3.53 Calculation of time-space convergence.

We can **measure** time-space convergence by using the formula  $TSC = \Delta TT / \Delta T$ , where TSC is time-space convergence,  $\Delta TT$  is change in travel time, and  $\Delta T$  is change in time. For example, in figure 3.53, the red line shows the hypothetical reduction in time to travel between two cities, A and B. Reductions in time typically occur as a curved line because innovations such as new roads or a change in transport technology typically occur somewhat suddenly over quite short periods of time.

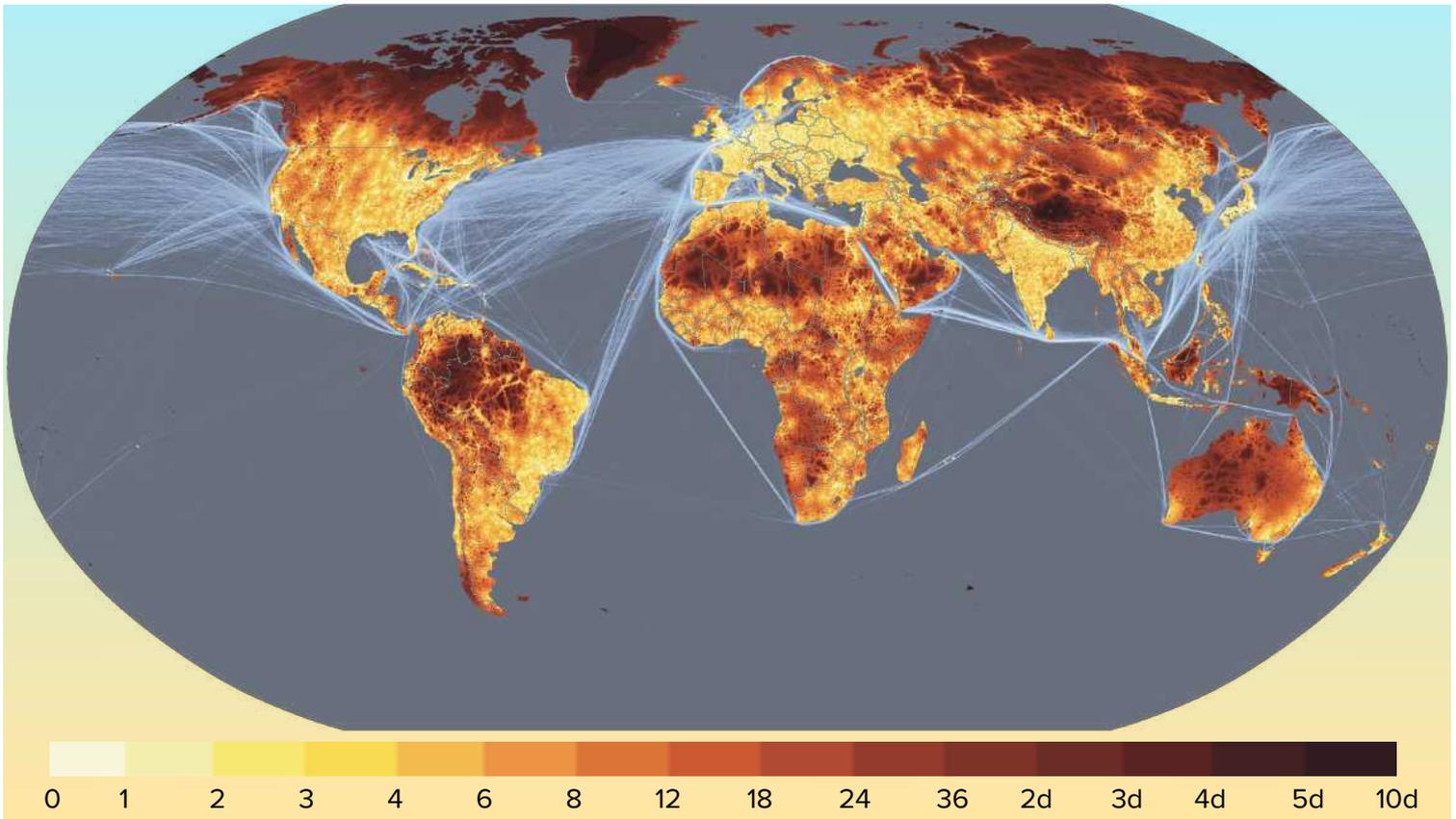
In the hypothetical example shown in figure 3.53, the travelling time between the two cities dropped from eight hours to two hours between 1970 and 2020. Therefore, the change in travel time ( $\Delta TT$ ) was minus six hours (or -360 minutes) over the

period of 50 years ( $\Delta T$ ). Therefore, the time-space convergence (TSC) in this example is  $-360 \div 50$ , or an average of -7.2 minutes per year.

A negative figure such as this indicates that time-space convergence has occurred. If the figure had been positive, it would suggest that travelling times were getting longer, which would be **time-space divergence**. Time-space divergence does occur, although usually on a more local scale such as within a city when narrow roads and increasing numbers of private motor vehicles lead to greater traffic congestion.

However, in general, even places that were once remote in distance or distant culturally are now much **more accessible** than they used to be. This is evident in figure 3.55, which shows the **travel time** to major cities from all points in the world, together with major **shipping routes**. Better **connectivity** is shown by lighter colours and greater **isolation** is indicated by darker colours.

Time-space convergence is largely a function of the **economic forces** that affect the transport industry. For any company operating in a market economy, **profits** must be generated to cover operating costs if a company is to be viable. As a general principle in the case of transport companies, **costs** comprise three elements: (a) **capital investments** (such as transport equipment, terminal facilities and route infrastructure), (b) **ongoing (or operating) costs** such as wages and fuel, and (c) **indirect costs** (such as insurance and advertising).



**3.55** Travel time to the nearest city of 50,000 people or more (in hours and days), and shipping lane density. Better connectivity is shown by lighter colours and greater isolation is indicated by darker colours. Source: Map copyright © European Communities, 2008.

These cost structures affect various types of transport industries in different ways according to the factors such as the amount of fuel used, the amount of infrastructure needed as initial investment to establish a service, the amount of labour vs mechanisation used for loading and unloading, and so on. In general, **larger modes** of transport such as **ships** and **railways** tend to be more competitive economically over **long distances** because they have comparatively low operating costs. This is especially so when **economies of scale** can be gained by using very large aircraft and ships, provided the savings are sufficient to offset the higher initial investment and higher fuel costs. On the other hand, **smaller vehicles** such as **trucks** and **buses** are more competitive over **shorter distances** because their infrastructure costs are low enough to offset their higher operating costs. Table 3.2 summarises the **advantages** and **disadvantages** of various types of transport.

**Containerisation** of shipping is arguably the biggest single development in transport to affect the **volume and extent of global trade** in physical goods. Container ships carry their cargo in large, standard-sized, reusable steel receptacles called **intermodal containers**, the term ‘intermodal’



**3.56** This container ship, which is navigating the Suriname River on its way to the port of Paramaribo, Suriname, is an example of the type of highly mechanised vessel that can operate with a minimal crew to maximise profitability. The large cranes visible on the ship can be operated by a few individuals, thus keeping costs to a minimum while maximising the rate at which large quantities of freight can be loaded and unloaded.

meaning they can be transferred and carried by different modes of transport such as ships, trucks and railways. Although there are several standard sizes for containers, about 90% of shipping is done using containers that are 2.6 metres high, 2.6 metres wide, and either 6 or 12 metres long. The **benefits** of container shipping are that containers make

Table 3.2

The advantages and disadvantages of different types of transport

	Air Transport	Shipping	Railways	Road Transport
Advantages	<ul style="list-style-type: none"> <li>Fast over long distances</li> <li>Statistically very safe</li> <li>Few delays due to congestion</li> <li>Suitable for high value cargo (such as hi-tech, fresh food and flowers) and people movement</li> </ul>	<ul style="list-style-type: none"> <li>Inexpensive over long distances</li> <li>Limited infrastructure costs (wharves are needed, but no route costs)</li> <li>Suitable for heavy and bulky goods such as minerals, coal and grain</li> </ul>	<ul style="list-style-type: none"> <li>Cost-effective over a variety of distances</li> <li>Capable of carrying large volumes</li> <li>Few delays due to congestion</li> <li>More environmentally friendly than other forms of transport</li> </ul>	<ul style="list-style-type: none"> <li>Fast delivery over short distances</li> <li>Easy to track location of freight</li> <li>Door-to-door delivery is possible</li> <li>Suitable for urgent goods (such as courier parcels) and perishable goods</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>More expensive than other types of transport</li> <li>High infrastructure costs (airport facilities)</li> <li>Aircraft are expensive to buy and maintain</li> <li>Relies on other forms of transport to and from airports, thus adding cost</li> <li>Aircraft emissions contribute to greenhouse gases</li> </ul>	<ul style="list-style-type: none"> <li>Slow, causing long delivery times</li> <li>Inflexible routes due to the need for deep water port facilities</li> <li>Ships are expensive to buy and maintain</li> <li>Relies on land transport for door-to-door connections</li> <li>Oil leaks and other pollutants affect marine life</li> <li>High fees for some routes (such as the Suez and Panama Canals)</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers and receivers are not always located near a rail line</li> <li>Limited and inflexible routes with inflexible timetables</li> <li>Goods may be damaged due to shunting and handling</li> </ul>	<ul style="list-style-type: none"> <li>Delays are possible due to road congestion and breakdowns</li> <li>Can be expensive due to fuel costs and road taxes</li> <li>Goods may be damaged due to handling and careless driving</li> <li>Less safe than other types of transport</li> <li>A significant source of air pollution, especially in urban areas</li> </ul>

loading and unloading vessels much faster, they enable the transfer of cargo between ships, trucks and trains to be done quickly and with less chance of accidental damage, they protect cargo against bad weather and they reduce the risk of theft.

By reducing the time to load and unload, the turnaround time for shipping has been dramatically reduced, enabling ships to spend more time travelling (and thus earning money for their owners and users) and less time being idle in ports.

Containerisation is therefore the main factor to cause time-space convergence today in the global shipping industry. Without this speed and efficiency, the global supply chains that have emerged in recent decades would not be possible, as companies could not feasibly source their raw materials and components efficiently from all parts of the world. Furthermore, firms such as Toyota and Airbus that use the 'just-in-time' model for their supply chains would instead have to stockpile large quantities of parts required for production,



3.57 A large container ship enters the Panama Canal at Miraflores, Panama, to cross from the Pacific Ocean to the Atlantic Ocean. Construction of the Panama Canal shortened shipping routes, leading to space-time convergence.



3.58 A section of the container wharves in Botany Bay, Sydney, Australia. Containerisation requires complete redesign and reconstruction compared with pre-containerised ports.

adding to storage costs and raising the turnover time between buying materials and realising the profit from them.

The first container ship was launched in 1956. Today there are about 21 million intermodal containers in use around the world, and they are used for about 60% of **global freight shipping**, and about 90% of **non-bulk shipping cargo** (bulk cargo comprising goods such as wheat, iron ore, coal, oil and petroleum). There are currently about 5,000 container ships in use globally.

The innovation of containerisation not only involved the **redesign of ships**, but also the **ports** that handled the ships. For many years, there was **resistance** among port authorities to invest in the equipment needed to handle containers, and trade unions were concerned about the **loss of jobs** that would inevitably result from faster, more streamlined handling of cargo. Prior to containerisation, it typically took 24,000 person-hours to load and unload a 40,000 tonne vessel; after containerisation, this figure fell to about 750 person-hours. Consequently, economic pressures to adopt the new technology proved overwhelming, investments were made to develop the ports, and the number of dock-workers employed in ports around the world did decline dramatically as a result.

### QUESTION BANK 3E

1. Describe the pressures that Globalisation places upon transport operators to function as quickly and cheaply as possible.
2. How have developments in transport over time influenced globalisation?
3. Explain the concept of time-space convergence.
4. Why does time-space convergence occur at different rates in various parts of the world?
5. What is time-space divergence, and what are its causes?
6. Write about 10 lines to describe the pattern in figure 3.55.
7. Explain why containerisation has had such a significant impact on (a) time-space convergence, and (b) the global economy.
8. Examine the advantages and disadvantages of different types of transport in table 3.2. Try to add one extra advantage and one extra disadvantage for each type of transport.

## Communications infrastructure and use – patterns and trends

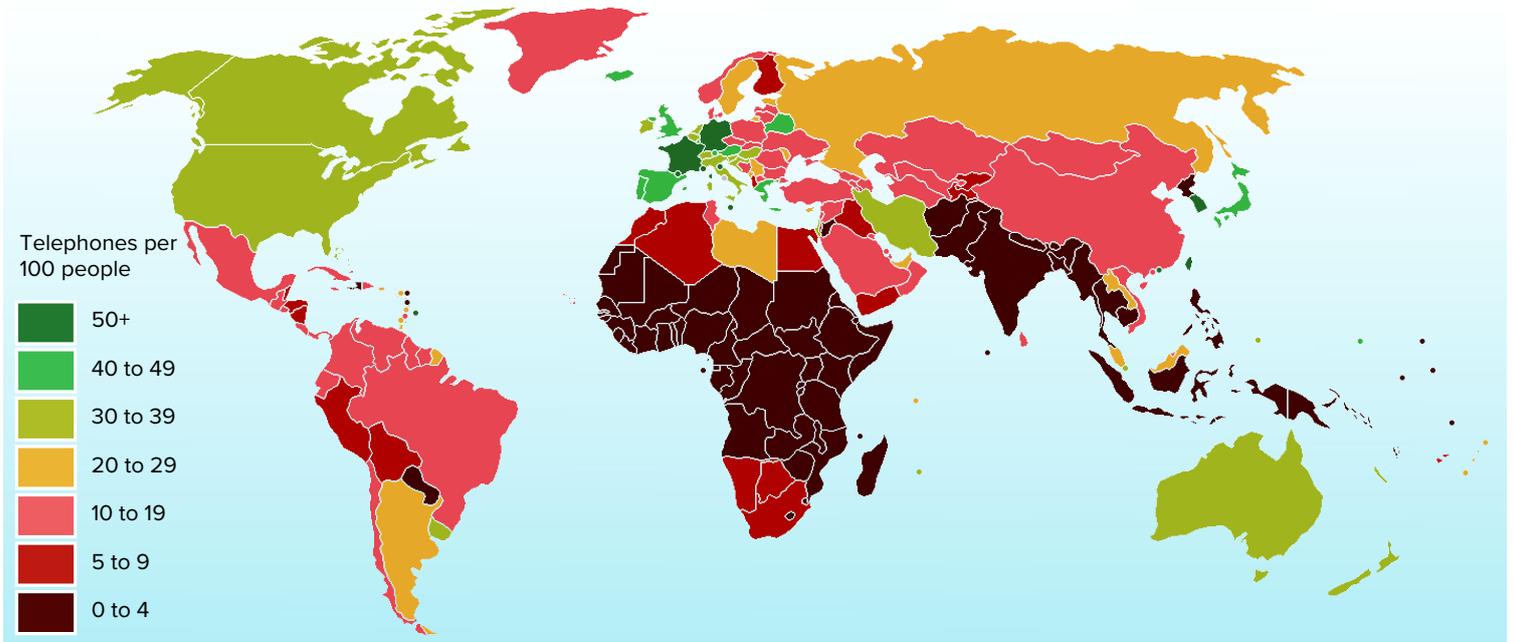
There have been four broad phases in the **evolution of human communication technologies** – oral, writing, printing, and electronic communications. The most recent phase, **electronic communications**, began with the invention of the telegraph in 1816, and progressed with the development of telephones in the 1870s, radio in the early 1900s, television in the 1920s, satellites in the 1960s, the internet in the 1980s.

In the 1960s, the Canadian thinker and theorist Marshall McLuhan forecast that the world would become a '**global village**' in the coming decades. Few people at the time understood the full implications of this claim. McLuhan was trying to explain that global communications would improve so much that exchanging information with other people anywhere in the world would become as easy as communicating to another person in the same village. In this way, the world would effectively 'shrink' to the scale of a village. Although some parts of the world still lag in telecommunications, McLuhan's forecast is close to having come true today.

At the time McLuhan made his forecast, international **telephone calls** travelled by **undersea cable** that could each carry about 100 simultaneous calls. Communications **satellites** first began to be used in the late 1960s, increasing the number of calls that could be communicated simultaneously. By 2000, there were about 200 communications



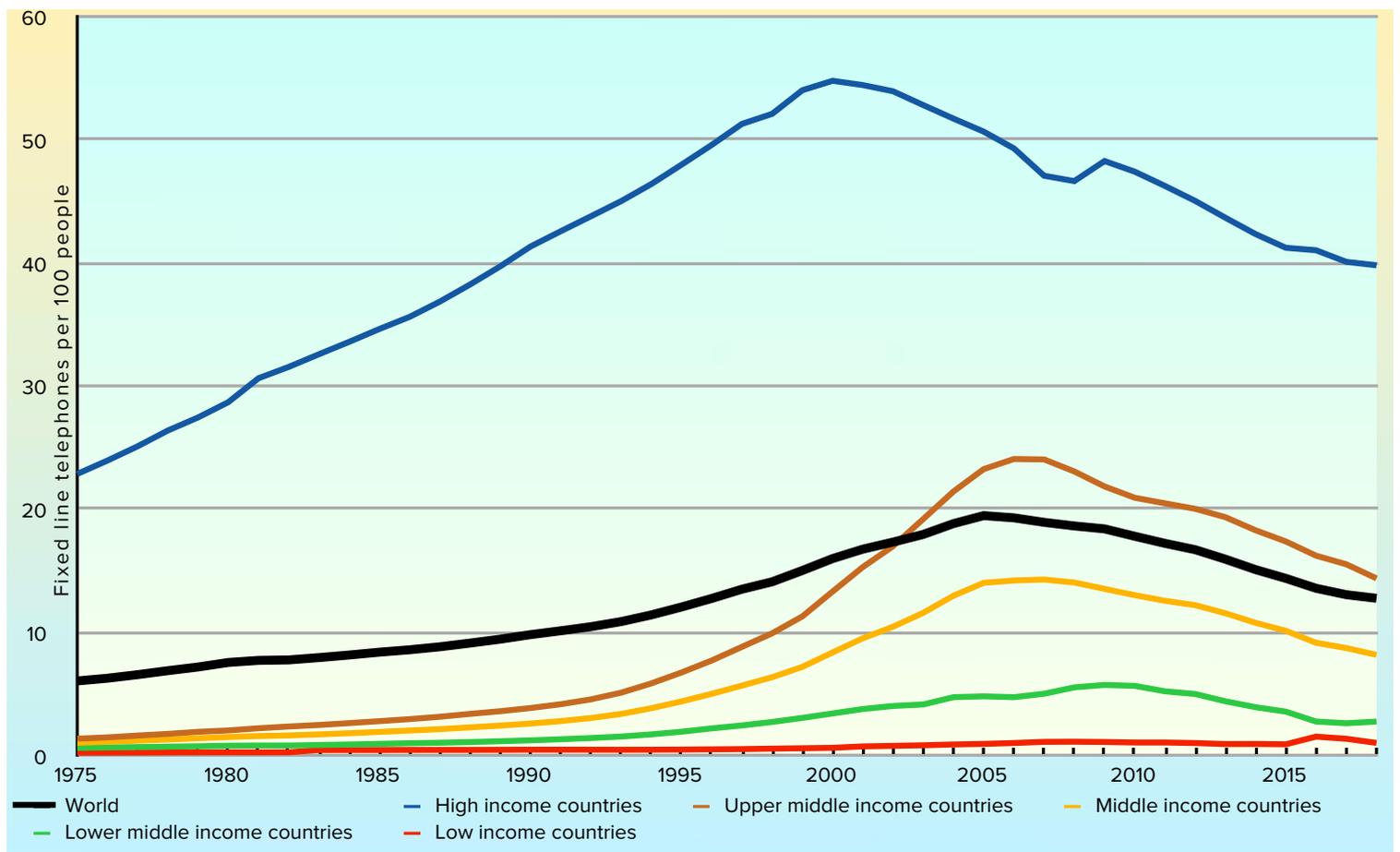
**3.59** Public telephones using fixed landline technology being used by residents of Havana, Cuba, none of whom would have a telephone in their own homes.



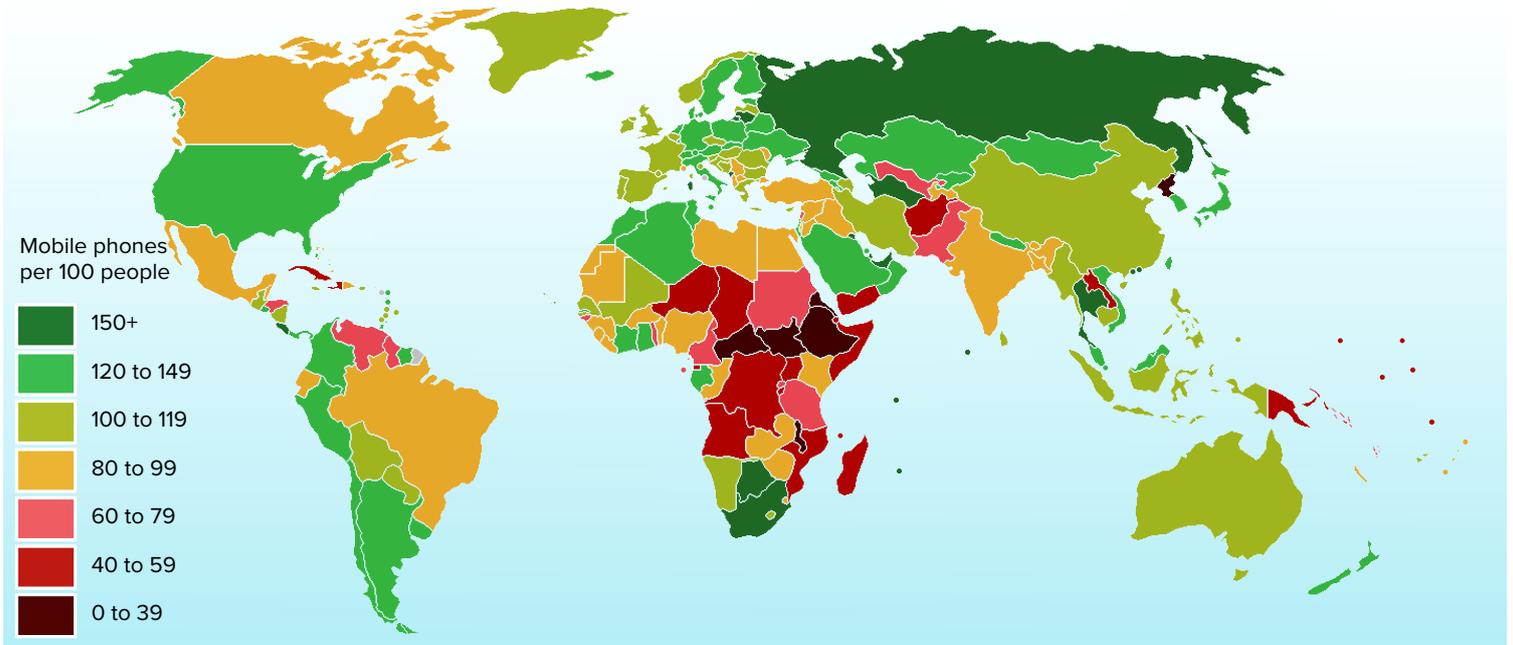
3.60 World distribution of fixed telephone subscribers per 100 people, 2018.  
 Source: Drawn from International Telecommunication Union, World Telecommunication/ICT Development Report data.

satellites in orbit, and by 2020 the number had grown to about 2,200 government and privately operated communications satellites. Each satellite is capable of handling tens of thousands of phone calls plus several television transmissions at the same time.

For most of the 20th century, **telephones** formed the major component of communications infrastructure. These were known as **landline**, or **fixed line telephones**, as they relied on a network of lines and cables that connected each telephone to every other telephone via telephone exchanges.



3.61 Fixed telephone subscribers per 100 people, 1975 to 2018.  
 Source: Drawn from International Telecommunication Union, World Telecommunication/ICT Development Report data.

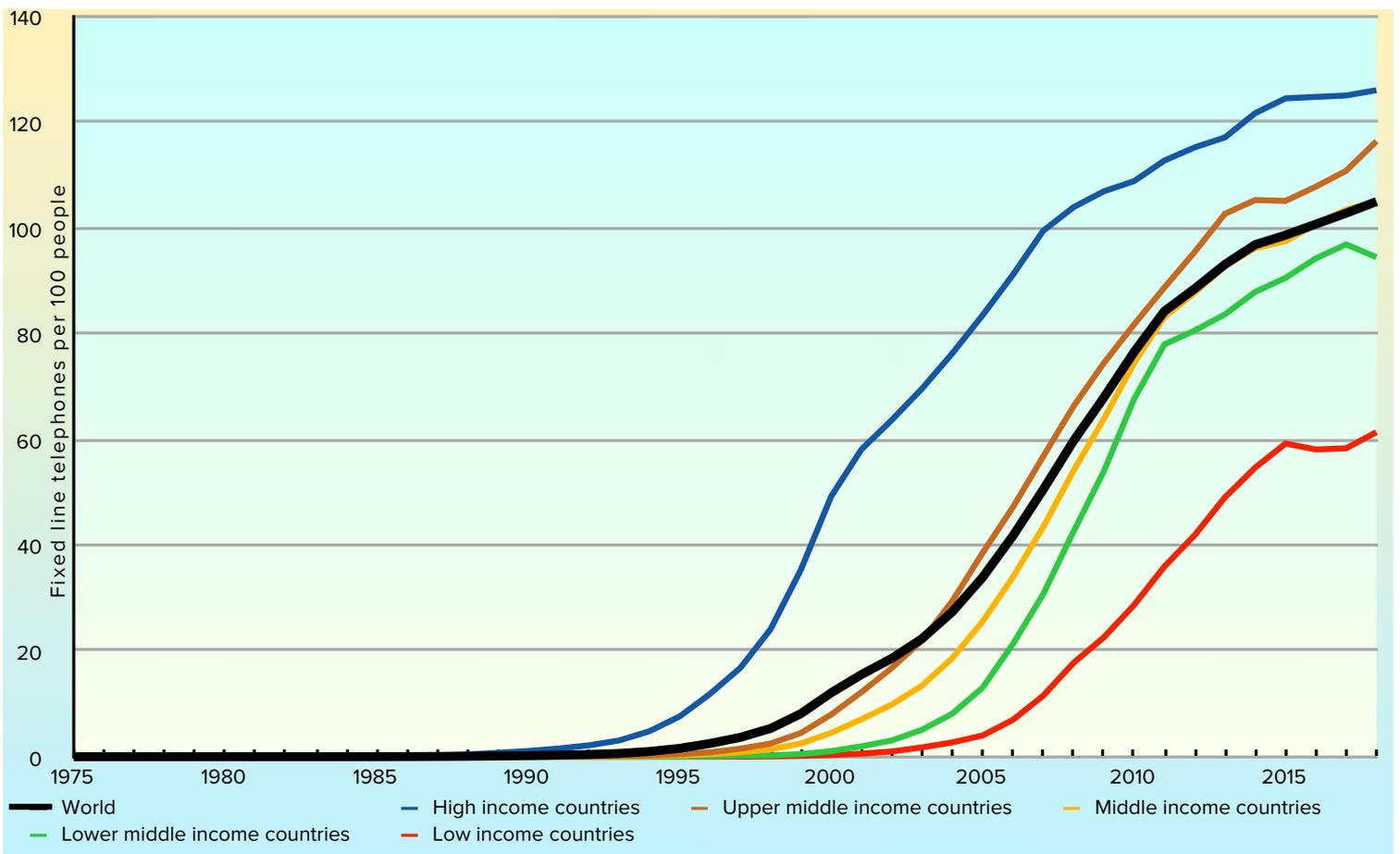


3.62 World distribution of mobile (cellular) telephone subscribers per 100 people, 2018.  
Source: Drawn from International Telecommunication Union, World Telecommunication/ICT Development Report data.

The **infrastructure** for fixed line telephones was **expensive** and **labour intensive** to construct, and therefore the vast majority of landline telephones were in the world's wealthier countries. To overcome the high cost of installing landline

phones in private houses, public telephones were provided in many countries.

In the 1990s, a major change began as **mobile** (cellular) **phones** started to become available. Early mobile phones were heavy, cumbersome and



3.63 Mobile (cellular) telephone subscribers per 100 people, 1975 to 2018.  
Source: Drawn from International Telecommunication Union, World Telecommunication/ICT Development Report data.



**3.64** A large advertisement for Chinese-manufactured mobile phones overlooks a marketplace in the old section of Cairo, Egypt.



**3.65** Local residents use their mobile phones in Cuzco, a small city in the high Andes Mountains of Peru.

expensive, but within a decade they had become far more portable and less expensive. Significantly for developing countries, the infrastructure to support mobile phones was **cheaper** and **faster** to install than the complex hard-wired network required for landline phones; all that mobile phones required was a central exchange and a network of relatively inexpensive receiving and transmitting towers.

The **transition** from fixed line phones to mobile phones occurred very quickly, as the trends in figures 3.61 and 3.63 show. On a global basis, the use of **fixed line phones peaked** in 2005, and has been declining since that time. Meanwhile, the increase in mobile phone use has grown so quickly that there are now about six times more people in the world using mobile phones than fixed line phones. Whereas fixed line phone usage is heavily concentrated in high-income countries, mobile phones are **more evenly distributed** globally, although there is still a significant under-representation in poorer countries.

The rapid, widespread adoption of mobile phones in developing countries is an example of **leapfrogging**. Although the diffusion of most technologies occurs smoothly, gradually and systematically, this does not always occur in developing countries. Sometimes the orderly diffusion of technology is impossible because places lack the basic services required, such as when the lack of electricity in rural areas of some countries prevents the spread of radio and television. In such cases, leapfrogging is likely, and it occurs when an area or a country by-passes a certain technology and leapfrogs to the next

generation. This has happened in many developing countries with mobile phones, enabling poorer countries to avoid the high cost of constructing landline telephone networks while giving people in remote areas access to communication that would be financially impossible with landline technology.

As a result of leapfrogging, Bangladesh has 1 fixed line telephone subscription per 100 people, but 97 mobile phone subscriptions per 100 people. Similarly, there are 150 mobile subscribers per 100 people in Botswana but only 6 fixed phone subscribers per 100 people, while in Suriname there are 130 mobile phone subscribers per 100 people but only 15 fixed phone subscribers per 100 people.

The growth in telecommunications has allowed the **internet** to grow very rapidly in recent years also. The internet came into existence in the late 1970s as



**3.66** Mobile phones are now used in North Korea after a ban on their use was lifted in 2012. This local resident is speaking on a mobile phone while riding his bicycle in front of the entrance to an underground railway station.

an outgrowth of a project known as the ARPANET initiated by the US Department of Defence. By the end of 1998, there were 148 million **internet users** worldwide, of whom 52% were living in the United States. By late 2001, the number of internet users had increased to about 326 million, 67% of whom used English as their first language. This figure had grown still further to 801 million by 2004, of whom only 35% used English as their first language. By 2009, the number of internet users had grown spectacularly to 1.464 billion, of whom 17% (253 million) were in China and 15% (220 million) were in the United States. By 2019, the number of internet users globally was 4.422 billion people, which comprised 85% of the population of developed countries and 45% of the population of developing countries. The largest number of internet users was in China (829 million), followed by India (560 million), the United States (293 million) and Brazil (149 million).



**3.67** Inside the main newsroom at CNN headquarters in Atlanta, Georgia, USA.

As communications technology has improved global communications, several **media networks** have taken advantage of the technological improvements and established global networks. In the **television** field, notable examples are CNN of the United States, Sky and the BBC in the United Kingdom and Al Jazeera in Qatar. Major **newspapers** such as the New York Times have established a strong web presence, and several commentators have predicted that hard copy newspapers will start to cease production in the next few years in favour of subscription-based web distribution.

The **attraction** of such global media networks to the internet is that information and entertainment can

reach most parts of the world almost instantly. The **danger** is that the culture of the media network's home nation may come to suppress the culture of the society into which the programs are being broadcast. It is estimated, for example, that about half of the world's 6000 languages will disappear between 2000 and 2100 in the face of the more dominant languages spread by electronic media.

**Movies** also play a very important part in changing cultural attitudes and perceptions. Many movies are made in the United States, and to a lesser extent in other developed countries. These usually show the **lifestyles** and **attitudes** of the people who live in that country, and in recent years, US movies have more actively promoted lifestyles and values that may not be widely shared or appreciated in some more traditional societies. The spread of movies and television shows via **bit torrent sharing** on the internet has accelerated this spread of new ideas and culture across national borders.

A significant change in communications use and servicing has occurred in recent years with the rise of **outsourcing**. Outsourcing occurs when some aspect of a business operation is contracted out to an external company. International outsourcing refers to contracting services to an overseas company, a process that both reflects and accelerates globalisation. Outsourcing has become more popular as a management tool in recent decades as it is seen as a way for a company to identify those things that are best done by its own employees, and then contract out those services which can be handled more cheaply or more efficiently by a specialist contractor. However, for



**3.68** A billboard near Pune, India, advertising facilities in a new IT (information technology) park.

companies engaging in international outsourcing, there can be significant cultural, legal, political, financial, technological and managerial challenges to overcome.

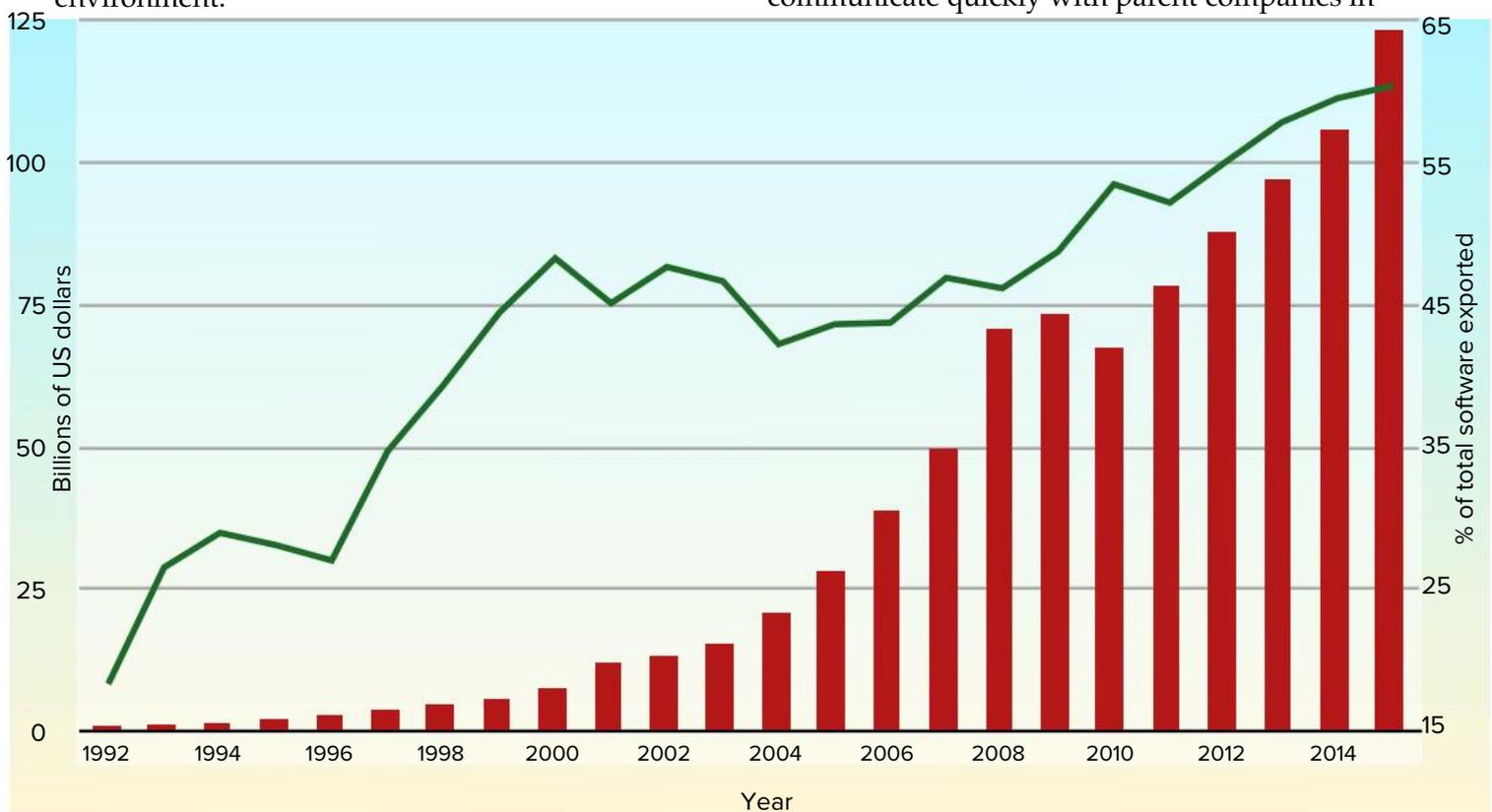
**Information and communication technologies (ICT)** have played a leading role in the growth of international outsourcing during the past decade or two. ICT companies, especially in the area of software development, have been outsourcing ICT work to **offshore destinations**, as communications technologies have developed to the point where software can be developed independently of location provided the connections are adequate.

Although some ICT has been outsourced from the United States and Western Europe to China, South Korea and Mexico, India has been the favoured destination for many software developers. India has proved attractive as a destination for offshore outsourcing because the **cost of labour** is relatively cheap, **English** is widely spoken, and there is an **emerging middle class of well-educated** young Indian people with an interest in ICT. For India, the attractions have been that ICT is a rapidly growing industry with **high profitability**, it brings **advanced skills** to the country, and it is an **environmentally friendly** industry in that it does not damage the environment.

As a result of this outsourcing, the value of India's software outputs grew from US\$1.03 billion in 1992 to US\$7.63 billion in 2000 and US\$123.22 billion in 2015, of which 61% was **software exports**. The growth trend in India's software industry is shown in figure 3.69.

The development of India's ICT industry has been confined to several **software development hotspots**, such as Bengaluru (formerly Bangalore), Pune (Poona), Mumbai (Bombay), Chennai (Madras), Kolkata (Calcutta) and Hyderabad, and to a lesser extent, the Delhi-Noida-Gurgaon belt, Vadodara (formerly Baroda), Bhubaneswar, Ahmedabad (formerly Ahmadabad), Goa, Chandigarh, and Trivandrum (also known as Thiruvananthapuram). Unlike most parts of India, these cities boast state-of-the-art software facilities, the presence of many overseas companies and high-speed bandwidth infrastructure.

Much of India's success in developing a software and ICT industry can be explained by the active policies adopted by the **government** of the State of Karnataka (formerly Mysore) in which Bengaluru is situated. The Karnataka government helped to provide the telecommunications infrastructure that was necessary for software developers to communicate quickly with parent companies in



**3.69** Total IT software output in India, valued in billions of US dollars (red bar graphs, left axis), and the percentage of Indian software production that is exported (green line graph, right axis), 1992 to 2015. Source: Malik, A & Nilakant, V (2015) Context and evolution of the Indian IT industry, in *Business Models and People Management in the Indian IT Industry*, A Malik & C Rowley (eds), pp.15-34.

other parts of the world, and this was supported by a set of policies that was designed specifically to encourage investment in software development. Bengaluru has become known as 'India's Silicon Valley', and it has become the city where most large software companies have established.

Although Bengaluru was the first major centre in India for outsourced ICT development in India, **other centres** are now developing rapidly. Perhaps the most notable of these is Pune, situated about 160 kilometres east-south-east from Mumbai, to which is connected by one of India's very few freeways. For several decades, Pune has been one of the largest industrial cities in Maharashtra state, as was known as 'India's Detroit' because several large car companies had their headquarters in the city.

The **benefits** of Pune's ICT boom have not yet been shared widely through the community, nor even among many of the software developers. There is an **uncomfortable coexistence** between modern new high-rise housing for IT technicians and the shanty huts for other parts of the population. Although the ICT infrastructure has been developed to modern international standards, the same cannot always be said for services to meet the needs of the local population, including many of the software developers.

International outsourcing is a **controversial** topic. In the United States, there is an increasing number of unemployed ICT workers, dismayed as they see their **jobs exported** to India. Although the loss of some jobs in the US can be explained by factors such as an economic recession and the collapse of many dot-com start-ups, the deliberate policy of several state governments in India to capture a share of the US ICT industry permanently has also been a factor. Some commentators draw a parallel with the US car making industry, which also saw an export of American jobs to low-cost locations such as Mexico and South Korea during the 1970s and 1980s — such relocation to least cost (maximum efficiency) countries may be inevitable in an era of Globalisation that encourages free trade.

Although there may have been a loss of ICT jobs in the United States, outsourcing has created **high value employment** among many needy people in India while also increasing economic efficiency. International outsourcing does not destroy jobs; it redistributes jobs to places where the efficiency gains are greatest. This in turn puts downward



3.70 New luxury apartments under construction for ICT workers near Pune, India.

Since 2005, Pune has been attracting **investments** in hi-tech software and computer hardware. Among the companies that have invested in Pune are Infosys, Satyam, IBM, and Wipro. In the coming years Pune intends to position itself as 'India's other Silicon Valley', a twin city for Bengaluru. Rapid development in the area surrounding Pune has totally transformed the landscape, especially in the Kharadi-Kalyani-Nagar belt. This has led to a real estate boom as Pune's land developers are convinced that there is a high demand for top-end residential units, and projects are under construction with global partners to provide the best technology and amenities to cater to the demands of the prospective purchasers.



3.71 Shanty huts in the foreground are situated within clear view of a new housing block for ICT workers near Pune, India.



3.72 Software developers stand in the open air as they travel to work near Pune in a local minibus.

pressure on the prices of ICT products, which benefits consumers in developed countries — provided they still have a job.

In the case of ICT outsourcing to India, it has also brought significant **social benefits**. Economic activity in India has traditionally been influenced by the caste system, which places very strict barriers on the progression of a person from one social status (including jobs) to another. However, the social barriers of the caste system have begun to break down as wealth has increased and many more parents have been able to educate their children. Despite the **long-term benefits** that this change brings, it does lead to **short-term family disruptions** as the uneducated parents of educated children see their children move away from to the cities (especially the ‘software development hotspots’) where jobs and new opportunities are available.

QUESTION BANK 3F

1. Outline the evolution, or development, of the global communications infrastructure.
2. Explain why telephone use has transitioned sharply away from fixed landline telephones to mobile phones.
3. Describe and account for the world distribution of fixed telephone subscribers in 2015.
4. Using figures 3.60 and 3.62, compare the world distribution of fixed telephone users with the distribution of mobile phone users in 2015. In your answer, mention specific figures, taking note of the different figures used in the keys for the two maps.

5. With reference to figure 3.61, describe and account for the trend in fixed telephone use for the world and different groups of countries during the period 1975 to 2015.
6. With reference to figure 3.63, describe and account for the trend in mobile telephone use for the world and different groups of countries during the period 1975 to 2015.
7. What is leapfrogging, and why has it occurred with mobile phone use in many developing countries?
8. Describe the growth in internet use since its beginning in the 1970s.
9. Describe the changes in mass media and movies that have occurred with developments in communications infrastructure. In your opinion, are these changes in mass media and movies the cause or the consequence of changes in communications infrastructure?
10. Explain the term ‘international outsourcing’.
11. Why has international outsourcing become more popular in information and communications technology?
12. Why has India attracted a large share of international outsourcing in the ICT industry?
13. With reference to figure 3.69, describe the growth in (a) India’s software output, and (b) India’s software exports.
14. Discuss the benefits and problems of international outsourcing (a) for India, and (b) for high-income countries.

The physical environment and global interactions

Natural resource availability

Global interactions, including the process of globalisation, began to progress at an accelerating rate during the 1500s and 1600s when European colonial powers began exploring the world in search of **mineral and plant resources**. This period of **exploration** transitioned into a period of **exploitation** of resources when colonisation began in Africa, Asia and Latin America in the 1700s.

Although resource exploitation by European powers brought their colonies into a global economy, it did so in a way that established the colonies’ position at the **periphery** of a global trading system that placed the colonising powers at the **core**. This situation continues today, where former colonies that are now major natural resource producers tend to be the world’s poorer countries that supply materials to wealthy industrialised

countries. In general, these resources are sold at **prices offered** by large transnational corporations eager to **minimise the costs** of their global supply chains, giving the natural resource producers **little control** over their selling prices.

Developing countries that rely on exports of natural resources suffer from two **dependency burdens** in their global interactions. First, they are **chronically dependent** on a handful of **transnational corporations** and commodity suppliers for their export earnings, a relationship in which developing countries are **price-takers** whereas global corporations are **price-makers**. This situation arises because a handful of TNCs control the global trade of natural resources and commodities, whereas a large number of small producers in developing countries are competing for markets, placing them in a far **less powerful bargaining position** than the large companies.

Second, many developing countries are **chronically dependent** on a handful of **natural resources** for their export income, placing a significant barrier to diversifying and thus industrialising their economies. Extreme **examples** of this chronic dependence include Burundi, 75% of whose exports are green coffee, Niue, where 71% of exports are taro, Ethiopia (69% of exports are green coffee), Malawi (59% of exports are tobacco leaves) and Guinea-Bissau (48% of exports are cashew nuts).

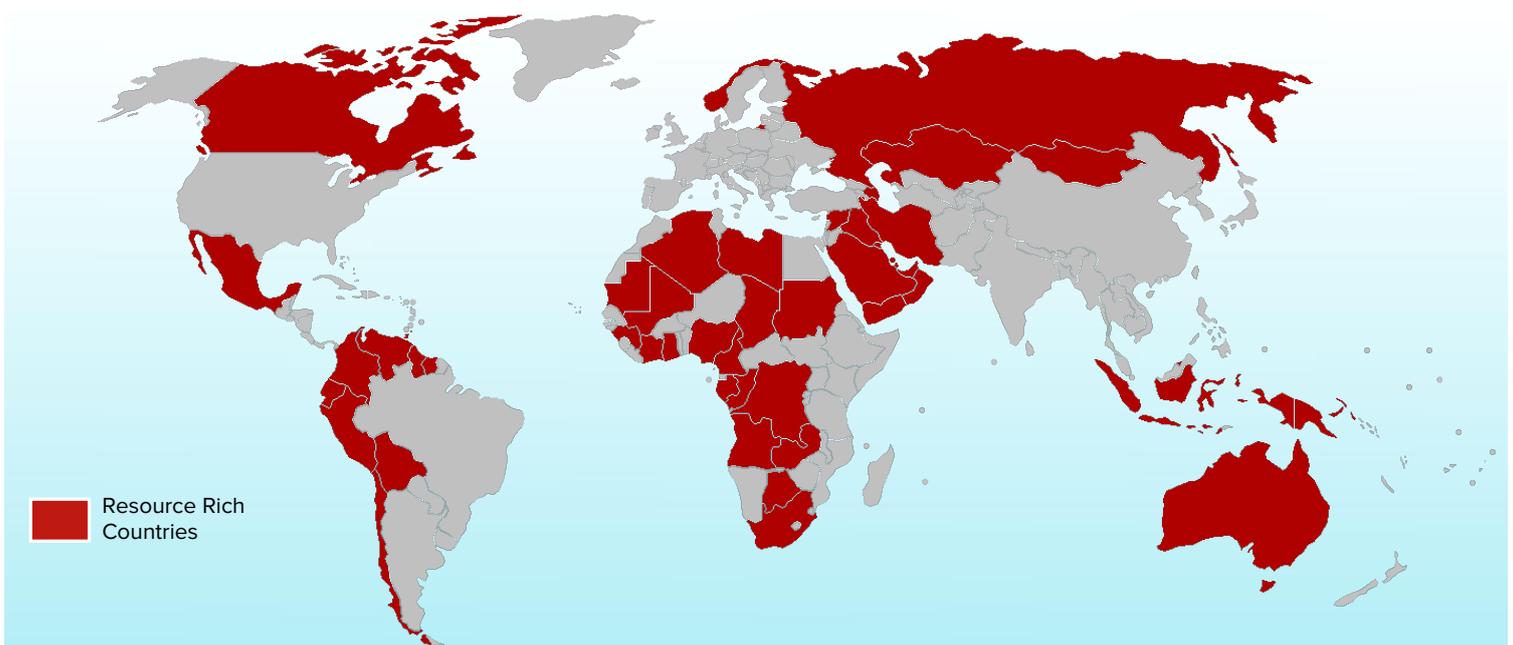
These dependency burdens are related to the so-called **resource curse**, which is the paradox that

countries with **abundant natural resources** such as minerals and fuels tend to have **slower rates of economic growth** and **poorer economic development** than countries with fewer natural resources. Venezuela's rich oil reserves have not made the country wealthy, diamonds have not brought widespread wealth to Angola, and the rare reserves of coltan have brought war to the Democratic Republic of Congo.

The IMF periodically identifies countries as **resource-rich countries** (RRCs) on the basis that their commodity exports of oil, gas and metals (such as copper, gold, iron ore and silver) represent a large share of their total exports (20% or more) of fiscal revenues (15% or more). Changing patterns of trade mean that this list fluctuates over time, but in 2016 (the latest classification) the IMF identified 48 countries as RRCs (figure 3.73).

Of the 48 countries shown in figure 3.73, only 12 are categorised as high-income countries, signifying that 36 of the 48 RRCs:

- have **high degrees of dependency** on natural resource exports for their national income
- **struggle to accumulate savings** from their resource export earnings, which in turn means that few funds are available for **investment** in capital projects or infrastructure developments
- have not been successful in **distributing revenue** from natural resources export income to the general public in the country



**3.73** Resource-rich countries, as identified by the IMF in 2019.

Source: International Monetary Fund.



**3.74** Mali has been classified by the IMF as a resource-rich country, and yet it is also one of the world's poorest countries. The consequences of Mali's resource curse are illustrated by the discrepancy between the aspirational sign showing the future national highway between Bamako and Segou and its actual condition (and types of vehicles) today.

- are **price-takers** for their exports, making the country **vulnerable** to economic shifts and manufacturing changes in high-income countries, and to sudden changes to the global supply chains of transnational corporations.

**Reasons** that low-income and middle-income RRCs may experience the **resource curse** include:

- The **volatile changes** in prices received by governments in developing countries for natural resources on the world markets are **difficult to manage**, and can lead to **boom-and-bust cycles** of government spending and inflation.
- Sudden inflows of foreign currency income from resource exports can raise the country's **exchange rate** unless managed effectively, which in turn makes the country's other exports less competitive.
- Governments receiving large 'easy' incomes from exporting resources **lack the incentive** to make adjustments to the economy that would reduce dependence on resource exports or improve the country's infrastructure in areas other than the natural resource exports. This is especially so when governments or large companies own the resources.

In contrast to the resource-rich countries, many countries in the world have **poor endowments** of natural resources. Many of these poorly endowed countries are among the most **affluent countries** in



**3.75** In contrast with the resource-rich countries, South Korea is poorly endowed with natural resources, and yet it has built a thriving, economically vibrant economy. South Korea has managed to achieve this by engaging fully in global trade, adding value to the raw materials it obtains from around the world through manufacturing and then exporting these goods. This representative view of South Korea's affluence shows the country's capital city, Seoul.

the world – Belgium, Japan, the Netherlands, Singapore, South Korea, Switzerland being some examples. Without exception, these resource-poor countries have gained their wealth, power and influence through **global interactions**, especially **trade**. The resource-poor countries have imported raw materials from RRCs, processed them through manufacturing operations to **add value** to the raw materials, which are then re-exported around the world at a profit. In this way, wealthy resource-poor countries have **developed** processes of globalisation and thus also **benefitted** from globalisation.

### Geographic isolation

Figure 3.55 showed that many parts of the world remain **isolated**, even though global interactions and connectivity are rapidly improving across the world in general. **Geographical isolation** occurs when a country or a community is separated from other countries or communities. At the **national** and **sub-continental scales**, isolation can occur for a variety of reasons such as:

- **Mountainous terrain** makes travel difficult and keeps communities separated. In the rugged Highlands of Papua New Guinea, the mountainous terrain made interaction between communities so difficult that groups in adjoining valleys developed into different nations that had



**3.76** Papua New Guinea's mountainous terrain has led to such extreme isolation that many valleys have their own unique cultures and languages. In this view, a village sorcerer conducts a ceremony using the one of the skulls of his ancestors that are stored in a cabinet lined with pigs' jaws in the men's area of the village.

their own languages. This explains why today there are about 800 different local languages spoken in this small country.

- Countries that have **no coastline** are known as **landlocked countries**, and they are relatively isolated because so much transport and trade is conducted in coastal ports and along coastlines. There are only two landlocked countries in the continent of South America – Bolivia and Paraguay – and their lack of coastline helps explain why they are also the two least economically developed countries on the continent.
- Areas where the climate is **hot and dry**, such as the world's deserts and semi-deserts, are isolated



**3.77** A donkey train transports cargo across the remote, isolated, barren land between Bambara and Timbuktu in northern Mali.

because of the financial difficulty of building roads in sparsely populated areas, the physical challenges of travelling in extreme heat, and the lack of motivation to connect such areas unless there is an incentive such as mineral resources. Aridity helps explain why the northern areas of Mali are far more isolated than the southern areas that receive more precipitation.

- Areas where the climate is **hot and wet**, such as the world's equatorial rainforests, are isolated for reasons that parallel the factors applying in hot, dry areas – the financial problems involved in building roads through sparsely populated areas, the discomfort of travelling in extreme heat and humidity, and in the absence of an incentive such as timber or mineral resources, the lack of motivation to connect such areas. Climate explains why interior areas of Brazil's Amazon Basin are still so isolated that new groups of people continue to be found by outsiders for the first time.



**3.78** Ust-Nera is a remote mining and administrative town in Russia's Far East, 870 kilometres from the nearest settlement, the city of Yakutsk. It is very close to one of two places in Russia (the other being Verkhoyansk) which claims to be the northern Pole of Cold, the coldest location in the northern hemisphere. This photo shows the town in summer.

- Areas where the climate is very **cold**, such as the Arctic and Antarctic regions, and areas where there is extensive **permafrost**, are isolated because of the physical challenges of living in such areas and the physical and financial challenges of connecting them to other parts of the world. The vast expanses of inland Siberia and the Russian Far East are largely uninhabited except for a few isolated places where timber or

minerals are extracted, and even these areas are poorly connected to more densely populated parts of Russia because of the long distances involved.

- **Political factors** can contribute to geographical isolation, such as government policies that limit travel or economic transactions with other countries, limit open communications by monitoring telephone calls or controlling the media, or by restricting diplomatic contact with certain foreign countries or groups of countries. Isolation can also arise because of internal instability that results in a country's links with the outside world becoming cut-off or cut-back. Countries that are isolated for political reasons include North Korea, Somalia, South Sudan, Zimbabwe, Chad and Myanmar, as well as states whose existence is disputed such as Palestine, Western Sahara, and Transnistria.



**3.79** North Korea is generally regarded as the world's most isolated country. The isolation arises mainly because of political decisions and policies.

At the **local scale**, isolation arises for a different set of reasons, including:

- **Rural areas** are more isolated than urban areas because the network of transport connections is relatively sparse, reflecting the lower population densities of rural areas. Poorer connections in rural areas extends to communications connections as internet speeds are often slower and mobile connections are often weaker, with many rural areas being 'dead areas' that are beyond the range of mobile phone towers.
- Local **landform features** can form barriers that make some areas more isolated than others, such

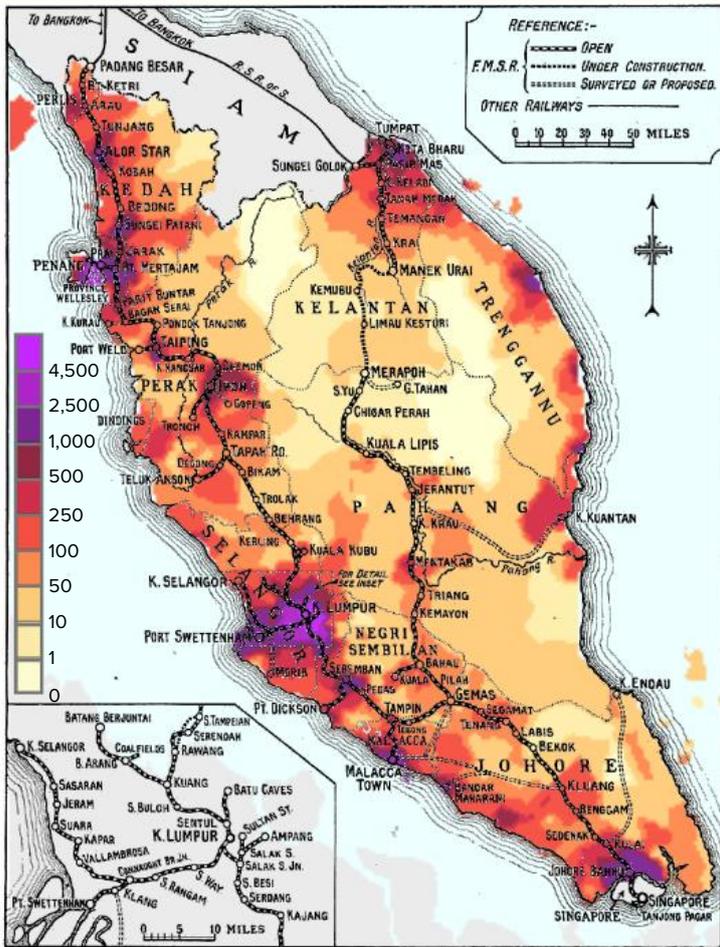
as a river without a bridge crossing or a zone of poor soil that makes farming difficult.

- Ethnic differences and gaps in economic wealth can result in **spatial apartheid** (separation), leading to some areas in a city being regarded as 'no-go' areas by other ethnic groups who perceive danger in those areas. Spatial apartheid occurs in parts of some large cities in Africa such as Nairobi and Johannesburg, in some US cities such as Chicago and Baltimore, and in some European cities with large migrant populations such as Paris and Brussels.



**3.80** The fishing community of Jamestown on the coast of Accra, Ghana, is inhabited exclusively by the Ga-Adangbe people. People from other ethnic groups may not enter the area without the explicit permission of senior Ga-Adangbe men.

Geographic isolation has a significant impact on global interactions, and global interactions in turn have a significant impact on geographical isolation. **Less isolated areas** are more likely to become involved in trade and cultural relationships with other areas because of their **accessibility**, which explains why the Mediterranean Sea was an important trading zone 2,000 years ago, and why coastal areas in East Africa and South-East Asia had long-established trading relationships with Arab and Chinese traders well before European colonial powers arrived. This **trade** had the effect of **fuelling growth** in the production of resources such as fishing products, agricultural produce and precious stones in coastal areas. Unfortunately for the people of coastal West African countries such as Benin, Togo and Ghana, accessibility also exposed them to **exploitation** of human resources in the slave trade while European slave traders conducted their line of work from the 1400s to the 1900s.



**3.81** A historic map of the Federated Malay State Railways metre gauge system as it existed during British colonial times in 1929, showing the section of the east coast line still under construction between Menapoh and Manek Urai. This line was completed in 1932. The coloured underlay shows the population density of Peninsular Malaysia today in people per square kilometre.

Sources: Historic map courtesy of the Restoration and Archiving Trust. Population density underlay extracted from the Socioeconomic Data and Applications Centre (SEDAC).

An example of the **two-way relationship** between isolation and global interactions is shown by the development of **West Malaysia**, or Peninsular Malaysia, Malaya, or the Malay Peninsula, as the region is also known. The British **colonised** the Malay Peninsula progressively during the 1800s, the main motive being to obtain raw materials. The most important of these raw materials was **tin**, which was found in the foothills of the central mountain range in several areas through Peninsular Malaysia. The largest deposit was located in the Kinta Valley, which was in the sparsely settled, isolated, northern state of Perak.

By 1883, Malaya was the world's largest tin producer. In order to get the tin from the mines to various coastal ports, the British built a **railway line** that was expanded northwards into Thailand and

south to Singapore (figure 3.81). The railway was built specifically to support the mining and export of tin, and its route bore no relationship to the villages and towns where local people lived, as they were not the priority for the railway's construction.

By 1909, the railway line was completed between Penang in the north-west of Peninsular Malaysia to Singapore to the far south. In order to connect the tin mines to the large port of Singapore, much of the railway was built through hitherto isolated, largely uninhabited land in Negri Sembilan and Johore states.

In the early 1900s, the British began to establish **rubber plantations** in West Malaysia to break the Brazilian monopoly on rubber production of the time. West Malaysia had an ideal climate and soils for the cultivation of rubber, and there were large



**3.82** Tapping rubber on a plantation near the railway line in Johor, Malaysia.



**3.83** Processing rubber latex in a small factory near the railway line in Ulu Tiram, Malaysia. Latex is highly perishable, and must be processed within hours of tapping.



**3.84** Logs for export being hauled by rail on the main railway line between Penang and Singapore. The rail line has significantly reduced the isolation of rainforest forest areas where timber cutting is done.

areas of unused land. Many of the tracts of available land were situated along the **largely uninhabited route** of the railway line that had already been built to transport the tin from its mines to port. By the 1930s, Malaysia was producing half the world's rubber.

The example of West Malaysia demonstrates that:

- A **valuable resource** such as tin was sufficient to **attract people** into an isolated area, in this case, British entrepreneurs from the other side of the world.
- **Isolation was overcome** by constructing a railway line that **enabled global interactions** to occur through the export of tin.
- These global interactions in turn **opened up new areas** of West Malaysia with the expansion of tin mining and the construction of the railway line through uninhabited areas, thus **breaking down isolation**.
- The railway facilitated the establishment and development of an **additional globally-oriented industry**, this being rubber cultivation and processing.
- People were attracted to work in the tin mines and rubber plantations. The railway then attracted **other industries** such as sawmills to locate beside it. Therefore, a railway that initially **disregarded** the distribution of population became the force to attract the **population distribution to shift** over time, reducing the area's isolation. Today, there is quite a **close alignment** between the railway line and the distribution of population in West Malaysia, even

though both the tin mining and rubber plantation industries have declined almost to the point of disappearing (figure 3.81).

West Malaysia is not the only example of a **changing interrelationship** between levels of isolation and global interactions. The **Tazara railway** (also called the Uhuru Railway or Tanzam railway) was built in East Africa by China as an aid program to join Zambia's copper mines to the Tanzanian port of Dar es Salaam. Like Malaysia's railways in their early days, the Tazara railway was built to support **exploitation of resources** for export, and it ran largely through uninhabited, isolated areas. Similarly, several railways have been built through uninhabited, isolated areas in north-west Australia to join the iron ore mine of the Pilbara region to several coastal ports.

### QUESTION BANK 3G

1. Describe the dependency burdens that resource-rich developing countries experience.
2. Explain the causes and effects of the resource curse that affects many resource rich countries.
3. Define 'geographic isolation'.
4. Describe the causes of isolation at (a) the national and sub-continental scale, and (b) the local scale.
5. Explain the two-way interrelationship between geographic isolation and global interactions.
6. Describe the two-way interrelationship between geographic isolation and global interactions in West Malaysia.



# Section 2

## Human development and diversity

A young woman sends a text message on her mobile phone outside a McDonald's outlet in Nur-Sultan (formerly Astana), Kazakhstan.



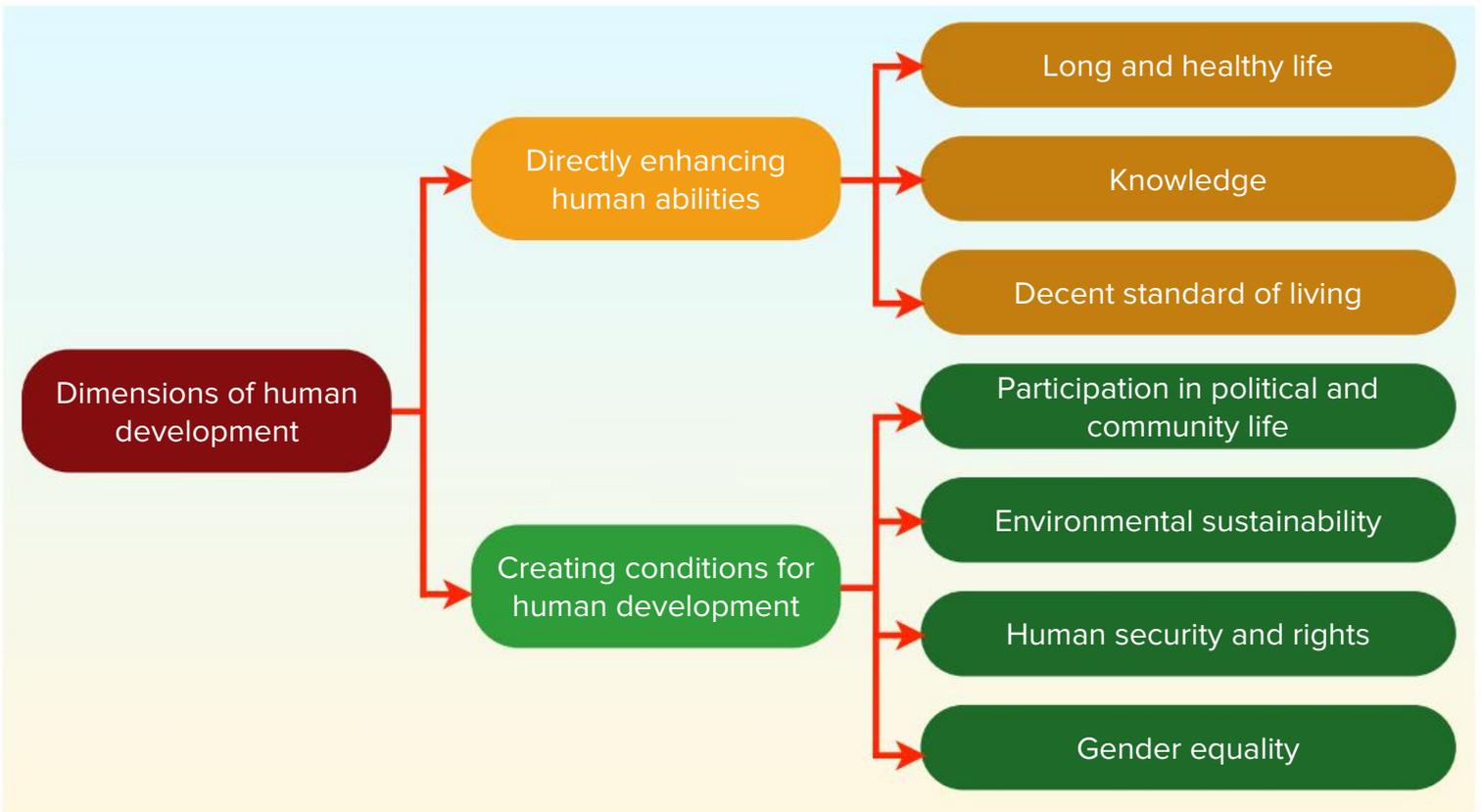
**4.1** Women are vital to economic development. In this view, a group of women decorate the exterior walls of houses in Tiébélé, a village in southern Burkina Faso. In this area, decorating walls is a task that is traditionally seen as ‘women’s work’.

## The multi-dimensional process of human development

Until the 1960s, most geographers viewed the processes of national and global development in narrow **economic terms**. Progress was measured using economic indicators such as GNP (Gross National Product) or GDP (Gross Domestic Product) per capita, national income or debt levels. In the 1970s and 1980s, it was recognised that although these and other similar measures were (and still are) useful for tracking economic changes,

they were unsatisfactory measures of human development.

**Human development** is a vastly broader concept than economic development. Whereas measures of economic development ask “*how is the economy progressing?*”, human development looks at the bigger question “*how are people progressing?*”. Human development can be **defined** as the process of enlarging people’s opportunities, freedoms and options that improve their well-being. The United Nations Development Program calls this process human flourishing, which derives from the Greek word *eudemonia* (εὐδαιμονία), meaning happiness and human welfare.



4.2 The dimensions of human development. Source: United Nations Development Program.

Human development therefore includes all the factors that **directly enhance human abilities**, together with the factors that **create conditions** that allow humans to reach their full potential (figure 4.2). The focus is therefore the **richness of human life** rather than simply the wealth of the economy in which people live. Rather than assuming that a better economy will improve people’s lives, the concept of human development acknowledges that income growth is just one of many factors that improves people’s lives, thus focussing on a much broader range of factors.

The underlying principle of human development is **capability**. Capabilities are the abilities and resources people have to pursue a life of value and achievement. Some capabilities are so basic that everyone values them – good health, access to knowledge, and a decent material standard of living. Less basic but nonetheless important capabilities for a fulfilling life include access to participate in decisions that affect a person’s life, to have control over the living environment, to be free from violence, to have respect within society, and to relax and enjoy life.

Everyone’s capabilities are either constrained or expanded by **two forces** — their **own efforts** and

the **institutions and conditions of society**. The more capabilities a person has, the better their chance to flourish and live a fulfilling life. People with fewer capabilities have less capacity to change their circumstances or to make use of opportunities.

**Capability building** means providing people with more opportunities to live fulfilling lives. In order to build capabilities, people’s **abilities** need to be developed, and then they need both the **chance** and the **choice** to use their skills. The chance to use



4.3 Capability building means equipping people with the chance and the choice to use the skills they have gained to realise their potential. This tailor in Djenné, Mali, has set up his sewing machine in the open market to conduct his business.

skills is important because it serves little purpose when a person possesses skills that are wasted, either for the individual or for society in general. Freedom of choice is also vital; there is a vast difference between a person who is hungry because they cannot get access to food because of poverty and a person who chooses to go on a diet or a fast.

### Sustainable Development Goals criteria

In 2015, the United Nations adopted a set of 17 goals, called the **Sustainable Development Goals (SDGs)**, with the aim of activating a global process of authentic **sustainable** development that would enhance **human development** by 2030.

Collectively, the 17 SDGs represent a coalescence of the concepts of **environmental sustainability** and **human development** in a form that is designed to implement effective change. The 17 Sustainable Development Goals are:

**Goal 1:** End poverty in all its forms everywhere

**Goal 2:** End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**Goal 3:** Ensure healthy lives and promote well-being for all at all ages

**Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all people

**Goal 5:** Achieve gender equality and empower all women and girls

**Goal 6:** Ensure availability and sustainable management of water and sanitation for all people

**Goal 7:** Ensure access to affordable, reliable, sustainable and modern energy for all people

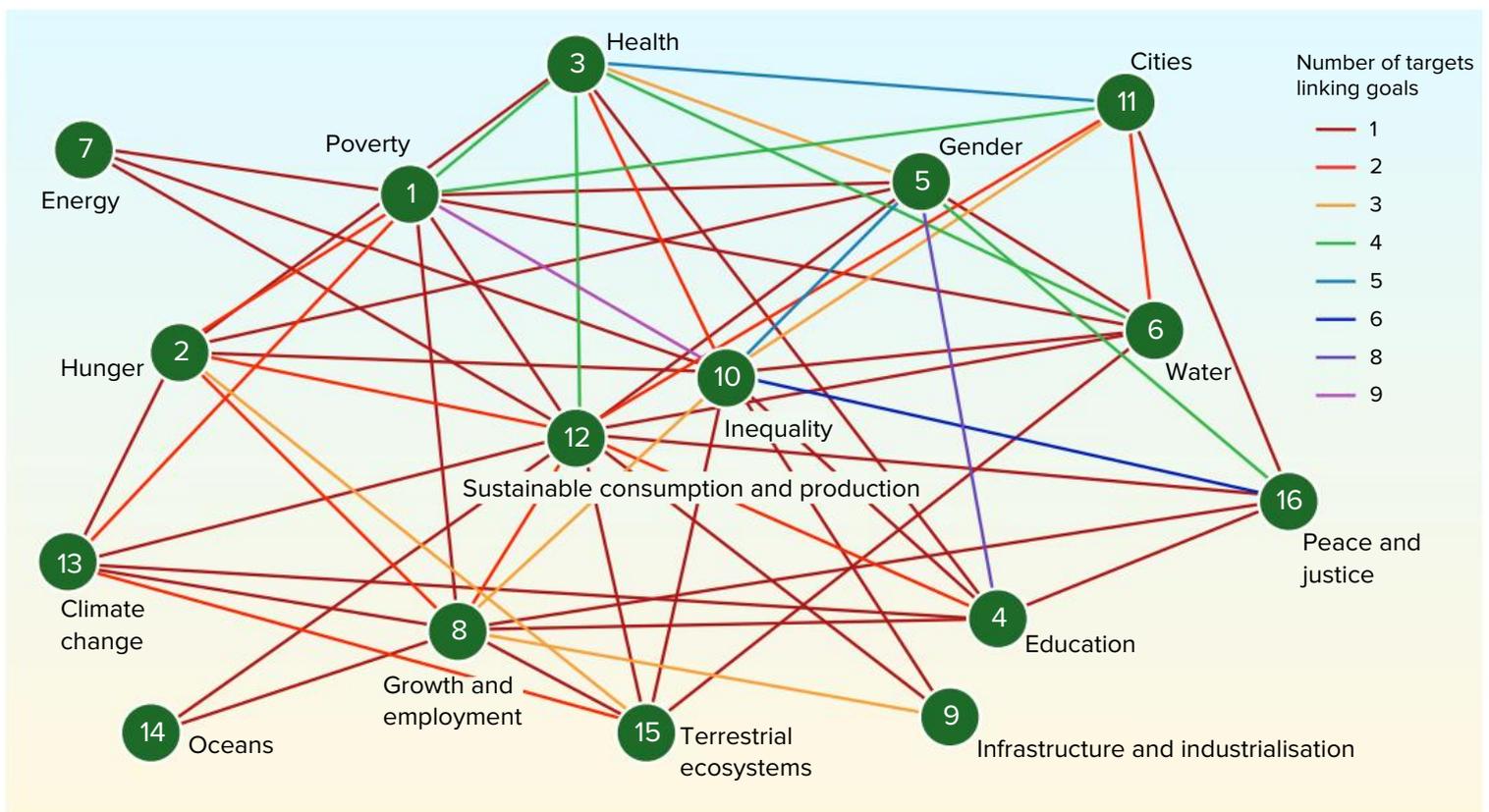
**Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all people

**Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

**Goal 10:** Reduce inequality within and among countries

**Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable

**Goal 12:** Ensure sustainable consumption and production patterns



**4.4** The links between Sustainable Development Goals, measured by the number of targets that overlap. The SDGs are shown as dark green circles with their goal number indicated in white. The coloured lines show the number of targets that link each pair of goals. Goal 17 is not included because it is an umbrella organisational goal that links to every target.

**Goal 13:** Take urgent action to combat climate change and its impacts

**Goal 14:** Conserve and sustainably use the oceans, seas and marine resources for sustainable development

**Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

**Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

**Goal 17:** Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Although these 17 goals are stated individually, they are designed to be seen and implemented as a **single, holistic, integrated system**. Companies and governments are urged to address the Sustainable Development Goals in their **entirety** rather than picking and choosing a few goals in isolation while ignoring the others. Each of the 17 goals has a set of **targets** to amplify the intent of the goal and define specific objectives. These targets overlap with other goals, and thus provide the **links** between goals to create the holistic system. The links between goals are shown in figure 4.4.

The Sustainable Development Goals were developed to build upon the achievements of an earlier set of goals that were also developed by the United Nations called the **Millennium Development Goals (MDGs)**. The MDGs were agreed upon in 2000 with a view to halving global poverty by 2015 as a step towards eliminating all poverty in the longer term. There were eight MDGs, and they focussed on various aspects of **extreme poverty** such as low income levels, ongoing chronic hunger, gender inequality, lack of schooling and education, lack of access to health care, and lack of access to clean water and sanitation.

The Millennium Development Goals proved largely **successful** in addressing some significant issues of extreme poverty. The United Nations used 1990 as the baseline year for measuring the progress of achieving the MDGs. In that year, almost half the people in developing countries received an income



**4.5** The focus of the Millennium Development Goals was addressing issues of extreme poverty to improve the lives of people such as these residents of Mopti, Mali, who must wash and bathe in the Niger River because their homes have no running water or improved sanitation.

of under US\$1.25 per day, which was the poverty line used by the World Bank at the time. By 2010, the World Bank estimated that less than 10% of the world's population were living on less than US \$1.90 per day, the higher basis used to define the poverty line at that time. During the same period, the chance of a child dying before the age of five had nearly halved, and the rate of mothers dying in childbirth had fallen globally by 45%.

By 2018, primary school net enrolments in developing countries had reached 89% (up from 82% in 1990 and 82% in 2000), while 90% of the world's population had access to improved drinking water (up from 76% in 1990 and 82% in 2000). Much of this success relied on official development assistance (ODA) from developed countries, and during the period from 2000 to 2018, this increased globally from by US\$49.7 billion to US\$164.6 billion, an increase of 231%.



**4.6** Residents living in sub-standard conditions in central Mali.



4.7 The importance of education in promoting human development is emphasised by this sign on the main road through Koror, Palau.



4.8 This pre-school kindergarten in Albreda, Gambia, provides young children with basic education in literacy and numeracy.

Although significant progress was made under the MDGs, some countries (especially in Sub-Saharan Africa) continued to lag behind, and most countries fell short of the targets set in areas of environmental sustainability such as loss of biodiversity and anthropogenic (human-induced) climate change.

The SDGs were developed with the criteria of **addressing** these shortcomings and challenges, and **expanding** the goals to embrace a more complete understanding of **sustainability** and **human development**. Because the needs were judged to be more complex than the objectives of the MDGs, the number of goals was increased from 8 to 17, and the underlying philosophical basis was defined as sustainability rather than poverty. To be **sustainable**, a program or activity can be continued in perpetuity without adverse effects. If an activity is **environmentally sustainable**, then it can be continued in perpetuity without harming the

environment. There are other types of sustainability, so for example, if an activity is **financially sustainable**, then it can be continued in perpetuity without incurring a loss, thus remaining economically viable.

In the context of the Sustainable Development Goals, sustainability and human development embrace a **combination of economic development, social inclusion, and environmental sustainability**. Recognising that financial and environmental systems are globally interconnected, the SDGs and the associated targets were designed to apply to every country of the world regardless of its level of economic development. The Sustainable Development Goals call for governments and companies around the world to embrace the SDGs in their entirety and move away from business-as-usual (BAU) approaches, consciously working towards **sustainable use of resources** and the growth of **peaceful and inclusive societies**.

The Sustainable Development Goals framework specifies **five criteria** for action to combine the concepts of sustainability and human development: **people, planet, prosperity, peace and partnerships**.

### People

In the words of the UN General Assembly Resolution adopting the SDGs in 2015: *"We are determined to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment."*

The UN believes that in spite of the progress made, too few children complete their **education**, and too many people in the world (about 800 million) remain chronically **malnourished**. An additional one billion people face micronutrient deficiencies. To address situations such as these, the SDGs commit to ending **extreme poverty** in all its forms, including **hunger**, and they call on all people to enjoy universal access to essential **social services** and basis infrastructure by 2030.

### Planet

In the words of the UN General Assembly Resolution adopting the SDGs in 2015: *"We are determined to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources*

*and taking urgent action on climate change, so that it can support the needs of the present and future generations."*

The UN believes that the world's **economic system** is intruding into the Earth's **planetary boundaries**, threatening its environmental sustainability. This is demonstrated by the destruction of **natural resources** and **ecosystems** that are essential for human survival, as shown by loss of biodiversity, air pollution, water shortages and pollution, deforestation and grasslands degradation, soil contamination, and climate change. To address these situations, the SDGs commit to protecting the planet from degradation, including through sustainable **production** and **consumption** and the sustainable **management** of natural resources (including terrestrial and marine ecosystems), as well as taking urgent action to reverse the trend of **climate change**.

### Prosperity

In the words of the UN General Assembly Resolution adopting the SDGs in 2015: *"We are determined to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature."*

The prosperity criterion follows from the planet criterion because the UN believes that unsustainable production and consumption is



**4.9** The Dogon people of eastern Mali have a unique approach to peace and reconciliation. The focal point of each village is the low-roofed shelter called a togu-na which serves as a meeting place for older men to discuss village affairs, smoke and relax. When a dispute occurs, all the men gather in the togu-na, and do not leave until the matter is resolved. The low roof is designed to prevent violence because no-one can stand up, forcing the men to discuss matters rather than fight about them.

depleting natural resources for **future generations**, which in turn undermines prosperity. Therefore, the Sustainable Development Goals attempt to **sever the link** between **economic growth** on one hand and **unsustainable resource use** and **pollution** on the other, thus opening up opportunities for low-income countries to become full participants in the international production system. The SDGs also attempt to address the growing **income inequality** that is emerging as technological change and innovation raise incomes for some but not others, both internationally and within countries. Income inequalities that exist for unskilled young people, women, the elderly, the disabled, minority groups and indigenous groups are also addressed in the SDGs.

### Peace

In the words of the UN General Assembly Resolution adopting the SDGs in 2015: *"We are determined to foster peaceful, just and inclusive societies which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development."*

Maintaining peace is at the core of the United Nations' existence. In the Sustainable Development Goals, the United Nations recognises that without **peace and security**, other development goals are unlikely to be achieved. Therefore, the SDGs emphasise the importance of good governance, the rule of law, human rights, fundamental freedoms, equal access to fair justice systems, combatting corruption and curbing illicit financial flows.

### Partnership

In the words of the UN General Assembly Resolution adopting the SDGs in 2015: *"We are determined to mobilise the means required to implement this Agenda through a revitalized Global Partnership for Sustainable Development, based on a spirit of strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people."*

The Sustainable Development Goals recognise that progress towards global sustainability is **undermined** when the 'actors' shaping the world fail to work with other in a **common direction**. Therefore, the SDGs highlight the need for

governments to work together with multinational businesses, local governments, regional and international bodies, and civil society organisations. In practising these partnerships, the SDGs emphasise the need for transparency and accountability.

Having identified these criteria, the United Nations searched for **indicators** that could be used to monitor the progress of the goals' achievement. The indicators had to relate specifically to issues of sustainability and human development, and were selected on **three broad criteria**: (i) maximum data availability, (ii) applicability in broad range of country settings, (iii) broad coverage of goal priorities. On the basis of these criteria, a range of variables were selected to monitor the Sustainable Development Goals, as shown in table 4.1.

Table 4.1

Illustrative indicators used to measure SDG achievement

Goal	Indicator
1	Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)
	Poverty headcount ratio at national poverty lines (% of population)
2	Prevalence of undernourishment (% of population)
	Prevalence of obesity, BMI ≥ 30 (% of adult population)
3	Cereal yield per hectare
	Mortality rate, under-5 (per 1,000 live births)
	Life expectancy at birth, total (years)
4	Lower secondary completion rate (% of relevant age group)
	PISA score
5	Proportion of seats held by women in national parliaments (%)
	School enrolment, secondary (gross), gender parity index (GPI)
6	Improved water source (% of population with access)
	Water Stress Score
7	Access to electricity (% of population)
	Alternative and nuclear energy (% of total energy use)
8	Share of youth not in education, employment or training, total (% of youth population)
	Average annual per capita GDP over the past 5 years
9	Mobile broadband subscriptions per 100 inhabitants
	Research and development expenditure (% of GDP)
10	Palma ratio
	Gini index
11	Percentage of urban population living in slums or informal settlements
	Mean annual concentration of PM2.5 in urban areas
12	Municipal solid waste generation (kg per capita)
	CO <sub>2</sub> emissions per capita
13	Losses from natural disasters (% GNI)
	Share of marine areas that are protected
14	Fraction of fish stocks overexploited and collapsed (by exclusive economic zone)
	Red list index
15	Annual change in forest area
	Homicides per 100,000 population
16	Corruption Perception Index
	For high-income and upper-middle-income countries: International concessional public finance, including official development assistance (% GNI)
17	For low- and lower-middle-income countries: Government revenues (% GNI)
	Subjective Wellbeing (average ladder score)

Source: Sustainable Development Solutions Network (2015) *Getting Started with the Sustainable Development Goals*, p.14.

## QUESTION BANK 4A

1. What is meant by the term 'human development'? Define the term, and then explain it with reference to figure 4.2.
2. Explain the process and the importance of capability building.
3. How do the Sustainability Development Goals relate to human development?
4. Why is it important that the Sustainability Development Goals are addressed holistically rather than individually?
5. With reference to figure 4.4, outline the main linkages between individual SDGs.
6. In what ways are the concepts underpinning the SDGs different from the foundations of the MDGs?
7. Briefly explain the five criteria for action that underpin the Sustainable Development Goals.
8. Examine the 34 illustrative indicators of SDG achievement shown in table 4.1. Classify these indicators as (a) strong indicators of human development, (b) weak indicators of human development, and (c) not indicators of human development. What conclusions can you draw from the classification you have developed?

## Validity and reliability of development indicators

Human development is a **broad concept** that embraces many variables, including those listed in table 4.1. Individual components of human development are **difficult to measure and quantify**, and these difficulties are compounded when

attempts are made to develop all-encompassing indicators that measure human development. Further compounding the problem of quantifying the elements of human development, many poorer countries lack the resources to gather and compile **reliable, complete statistics**. Notwithstanding the challenges, attempts have been made to develop **composite measures** of human development, examples being the **Human Development Index (HDI)** and the **Gender Inequality Index (GII)**.

### Human Development Index (HDI)

The **Human Development Index (HDI)** was developed by the United Nations during the 1990s as a measure of **human development** that reflected far more than the narrow economic indicators then in widespread use. The HDI uses **three measures** to generate a composite index – **education** (reflected by literacy), average **life expectancy**, and **GDP per capita** on a PPP basis. These three measures were thought to provide a balance between **social measures** of development with an **economic measure**, recognising that control of personal resources and wealth is an important means to enhance people's quality of life.

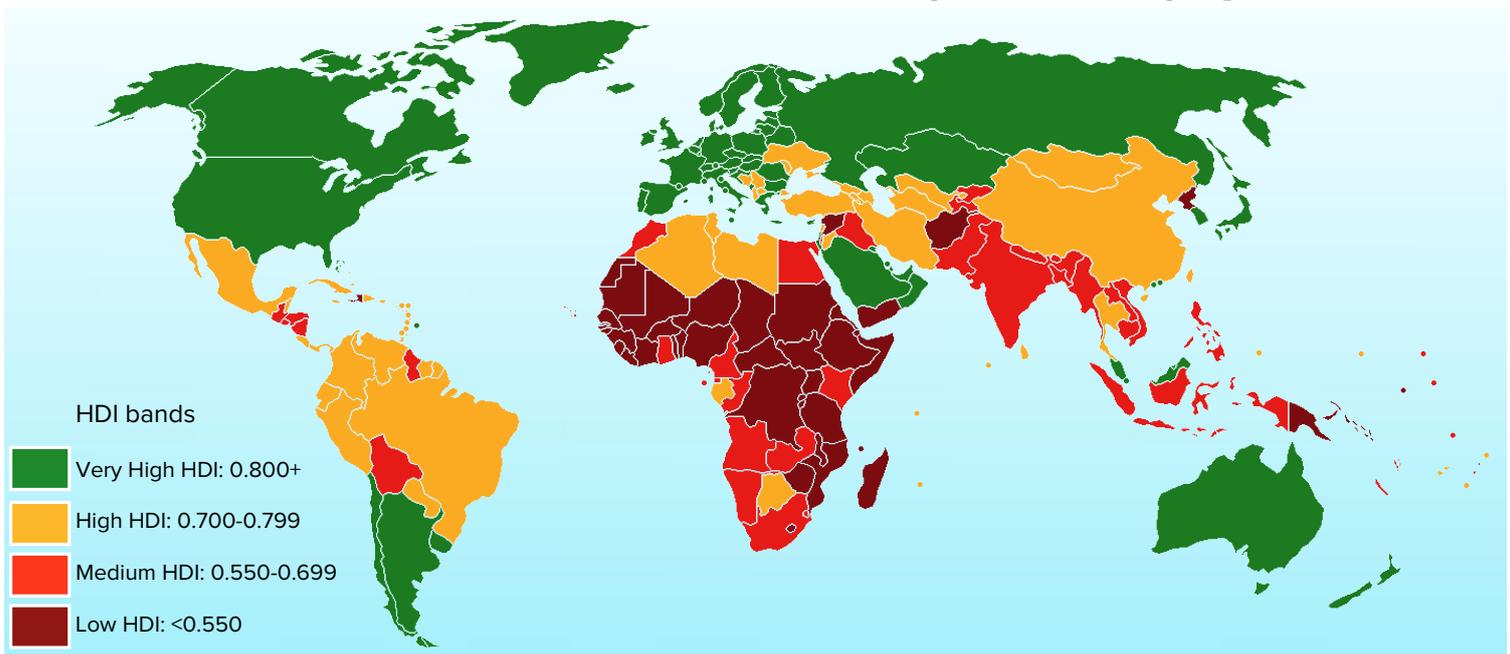
The HDI involves **ranking** countries on a scale from 100 down to 0 for each of the three variables, and then taking an **average** of the three rankings. The **combined score**, which is the HDI, is expressed on a scale from 0 to 1, usually to three decimal places. Having calculated their HDI, countries are then classified into **four groups** – very high human

development with HDIs of 0.800 and above, high human development with HDIs of 0.700 to 0.799, medium human development with HDIs of 0.550 to 0.699 and low human development with HDIs at or below 0.550 (figure 4.10).

**High HDI countries** tend to be in North America, Europe and Australasia, with some additional examples being in East Asia, the Arabian peninsula and the southern part of South America. **Low HDI countries** tend to be concentrated in sub-Saharan and tropical Africa, with some additional examples being found in south-west Asia and the south-west Pacific. In 2017, the top ranking country by HDI was Norway (0.953), followed by Switzerland (0.944), Australia (0.939), Ireland (0.938) and Germany (0.936). At the lower end of the scale, the bottom ranked country by HDI was Niger (0.354), followed by the Central African Republic (0.367), South Sudan (0.388), Chad (0.404), Burundi (0.417) and Sierra Leone (0.419).

Although the HDI represents a substantial improvement over narrow economic indicators to measure human development, some aspects of its **reliability and validity** have been questioned and criticised:

- The HDI is calculated as a simple, equally weighted mean of its three constituent variables. This implies that a **weakness** in one variable can be **offset** by a strength in another variable.
- When the HDI was first developed, countries were categorised into three groups rather than



4.10 The world distribution of human development measured by Human Development Index (HDI), 2017.



**4.11** Niger is the world's bottom ranked country by HDI. This reflects the country's low levels of literacy, short average life expectancy and low level of economic development. The country's low level of human welfare is illustrated by this group of women who are gathering water from a well near Kouré to carry in buckets to their homes, none of which have running water, improved water or electricity.

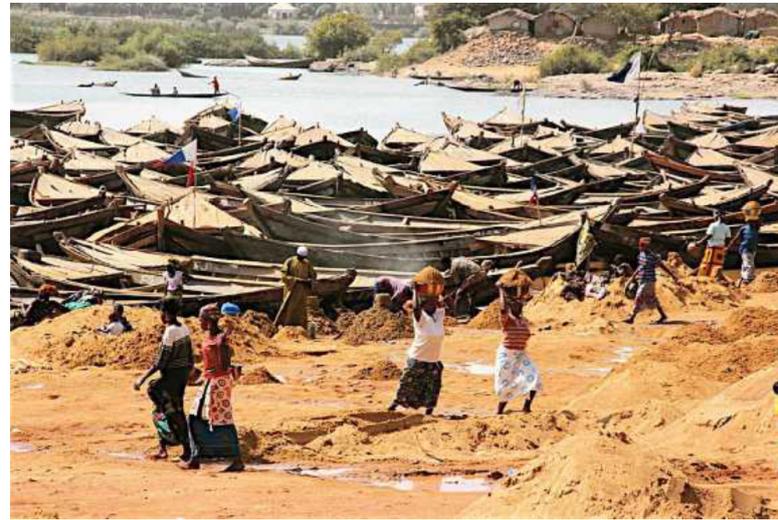


**4.12** Norway is the highest ranked country in the world by HDI, reflecting its high level of education, long average life expectancy and high level of economic development. The country's high level of economic development and generosity is illustrated by this school at Flekkefjord which provides scholarships for students from around the world to come and study, including refugees and young people with physical disabilities.

the four groups used today. The groups came to be seen as **rigid** by people using the HDI for planning purposes, for development aid, in corporate planning and in political discussions. For example, some pharmaceutical companies offered larger discounts to countries with high HDIs than countries with low HDIs, while some governments favoured one group over another when allocating foreign aid. The United Nations tried to break down this rigidity by expanding the three groups into four categories in 2012.

- Economists have criticised some technical aspects of the HDI, claiming that it contains several types of data error: **measurement errors** due to data revisions, **data errors** due to formula updating, and **misclassifications** due to inconsistent cut-off values. To some extent, data errors are not surprising given the complexity of information contained in the HDI and the challenges – and high cost – of collecting statistics in developing countries with poor infrastructure and few trained statisticians. The United Nations has taken steps to correct some of the criticisms of its methodology by **refining** and **changing** the algorithms used to calculate the HDI over time. While this has made the HDI a more reliable measurement, it means that HDIs for different years are **not comparable**, so changes in a country's HDI over time might not be wholly due to changes that are actually happening to improve (or harm) people's human development.
- The HDI **does not treat changes** in GDP per capita **in the same way** that it treats changes in literacy and life expectancy. When calculating the HDI, a log of base 10 transformation is performed on GDP per capita figures, which means increases in income become less significant as they become higher. However, increases in life expectancy and literacy are constant across all levels. Therefore, for example, an increase in life expectancy from 45 to 50 is treated the same as an increase from 75 to 80, even though most people would regard the increase from 45 to 50 as more significant for human development.
- In calculating the HDI, the United Nations makes an **assumption** that the average poverty level of nine industrialised countries is an adequate income level globally, and sets this as a maximum value for income in the calculation. This limit imposes an **arbitrary opinion** on what economic changes will be counted in the calculation and which will not. Critics argue that this notion of income adequacy is **inconsistent with the objectives** of calculating the HDI, which is to measure changes in human welfare that arise from giving people greater choices. If the maximum income is set at (for example) US \$10,000 per annum, then a change in GDP per capita from US\$15,000 to US\$20,000 is assumed not to expand human choices and therefore not to increase a country's HDI.

- The HDI is criticised because none of its three measures relate to **environmental sustainability**, which many commentators believe is a fundamentally important component of human development, welfare and quality of life. Literature suggests there are **three pillars of sustainable development** – social, economic and environmental – but the HDI makes no mention of the environmental component. Some commentators have suggested adding the **ecological footprint** as a fourth variable to overcome this apparent shortcoming.
- The HDI aggregates the entire population of a country into one statistic, and this can **hide inequities** and the plight of disadvantaged groups such as minority ethnic groups, women, the elderly and groups who are victimised for their religious or social beliefs.



**4.13** In developing countries, women perform much of the heavy manual labour such as growing food, carrying water, and hauling fuelwood. In this view, women in Bamako, Mali, carry heavy loads of sand from river barges to trucks that are waiting to transport the sand for use in building construction projects.

### Gender Inequality Index (GII)

**Gender** is the social, behavioural, and cultural attributes, expectations and norms associated with being a woman or a man. These characteristics include a person's **biological sex**, which may be male, female, or an intersex variation between these poles. **Gender identity** therefore refers to an individual person's identification with a particular gender and gender role within a society and its expectations. Western societies increasingly recognise that gender identity is not restricted to a simple male-female dichotomy, but lies on a spectrum that embraces genderqueer, transgender, genderfluid and agender people. These identities are not as well accepted in traditional societies such as the Middle East and most parts of Africa.

It is said that **gender inequity** is not a minority or women's issue, but a **human issue**. This comment arises because creative ideas from women are suppressed or they go unrecognised and unappreciated, thus preventing women from achieving their potential. When this happens, **society's overall wealth** (social wealth as well as economic wealth) is reduced as less labour and intellectual capital are available. Therefore, any study of human development is incomplete and inadequate if issues of gender equity are omitted.

When the issue of gender inequality is examined on a global scale, we find that **females appear to be disadvantaged** compared with males on **many**

**measures** such as labour force participation rate, women in national parliaments, pay rates for females and women in senior corporate positions. On the other hand, there are **a few areas** where **males are disadvantaged**, such as average life expectancies and percentage of prisoners.

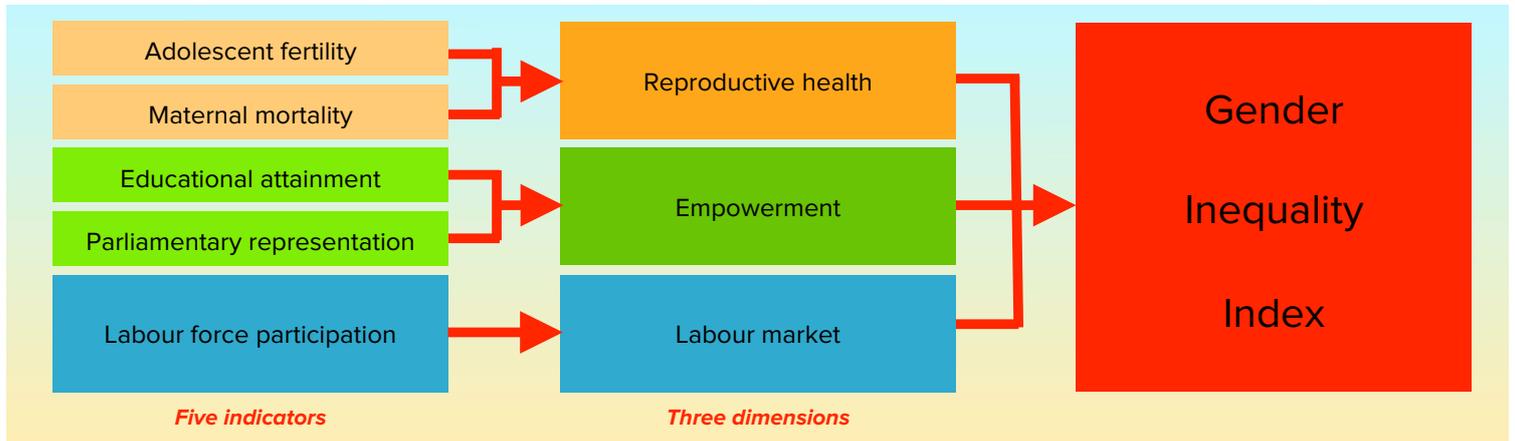
One approach to analysing gender equality is to try and develop a **composite measure** that quantifies the extent of the disadvantage faced by females. In the mid-1990s, the United Nations Development Program (UNDP) developed two such indices, the Gender-related Development Index (GDI) and the Gender Empowerment Index (GEM).

The **Gender-related Development Index (GDI)** is calculated by averaging three measures:

- **longevity**, as measured by the female and male life expectancy at birth;
- **knowledge**, as measured by (1) female and male literacy rates, and (2) female and male combined school enrolment ratios; and
- **income per capita**, in Purchasing Power Parity US dollars, based on female and male earned income shares.

The **Gender Empowerment Measure (GEM)** is a measure of the extent to which females as well as males participate in the **decision-making processes** of a country. The GEM includes three components:

- **political participation**, as measured by the percentage of seats held by women in national parliaments;



**4.14** Components of the Gender Inequality Index. Note the size of the boxes reflects the relative weights of the indicators and dimensions.

- **economic participation**, as measured by as measured by the percentage of women among legislators, senior officials and managers, as well as in professional and technical fields; and
- **power over economic resources**, as measured by the income earned by females compared with men's incomes.

Following many criticisms of the GDI and GEM, the UNDP replaced these two indices in 2010 with a new single composite index called the **Gender Inequality Index (GII)**. As shown in figure 4.14, the GII is calculated using **three dimensions** and **five indicators** that include measures of both human development and empowerment.

The **three dimensions** of the GII are **reproductive health, empowerment, and labour market participation**. Each of these **three dimensions** contributes equal weighting to the GII. According to the UNDP, unlike the GDI and GEM, none of the measures in the three dimensions relates to a country's economic development, and therefore a low-income, developing country can perform just as well as a wealthy, industrialised country if gender inequality is low.

As shown in figure 4.14, two of the three dimensions are calculated using **two indicators**, each with equal weighting. The dimension of 'reproductive health' comprises 'adolescent fertility' and 'maternal mortality'. 'Adolescent fertility' refers to the number of births to women aged 15 to 19 per 1,000 women who are aged 15 to 19 in that country. 'Maternal mortality' is the ratio of the number of mothers who die during childbirth to the number of live births in a given year. It is expressed as a figure of deaths per 100,000 live births.

The dimension of 'empowerment' is also calculated by combining two indicators in equal proportions. In this case the indicators are 'educational attainment' and 'parliamentary representation'. 'Educational attainment' measures the percentage of the population aged 25 and older who have reached the level of secondary schooling. The indicator of 'parliamentary representation' measures the proportion of seats held by women in a lower or single house, or an upper house or senate, expressed as a percentage of the total seats in the national parliament.

The third dimension of the GII is the 'labour force participation rate', which measures the proportion of a country's female working age population that engages with the labour market, either by working in paid employment or by actively looking for work. It is expressed as a percentage of the working age population.



**4.15** Yemen is the world's lowest ranked country for the GII. Women are a relatively rare sight in public places, and even in the markets, typically over 90% of the people present are men. These women are walking through the market district of Sana'a, the country's capital city.

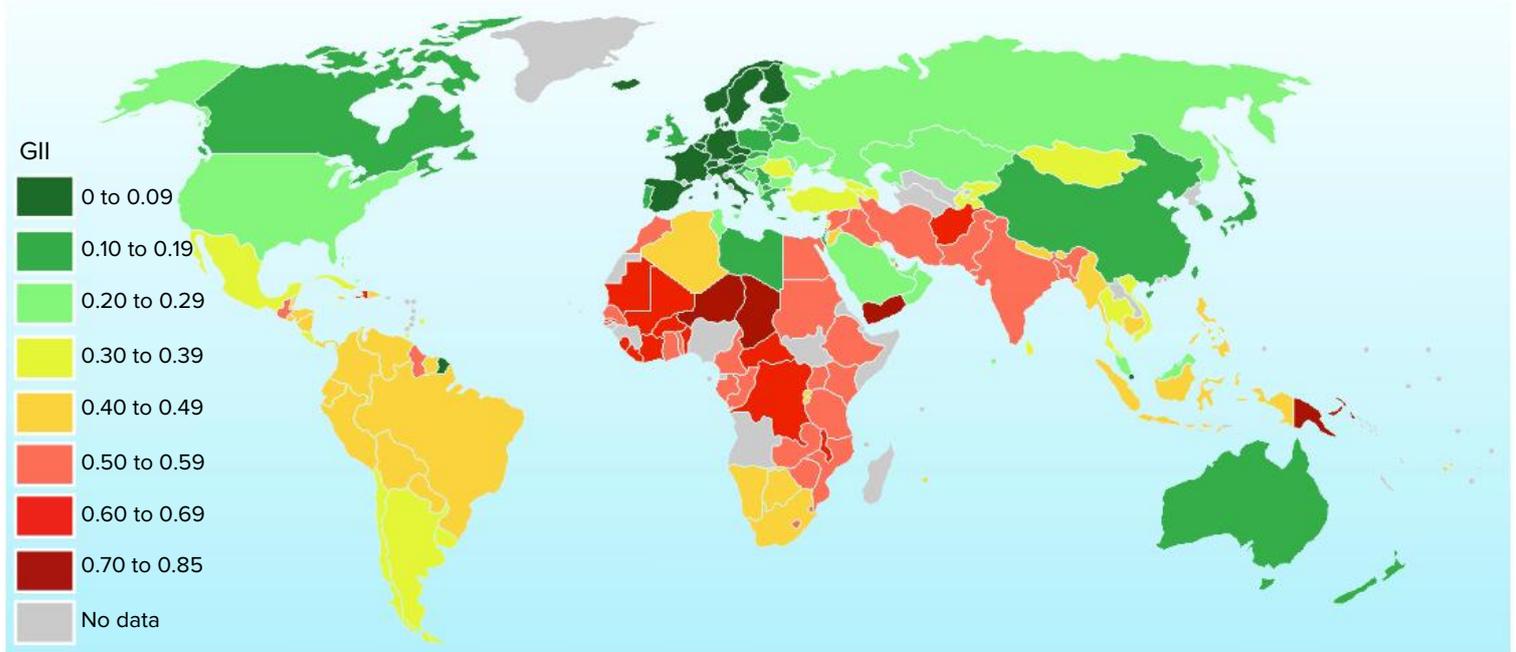
# Chapter 4 - Development opportunities

Table 4.2

Gender Inequality Index (GII) and associated indicators, selected countries, 2018

	Measures of human development		% of population with at least secondary education		Labour force participation rate (%)		Maternal mortality ratio	Women in national parliament
	HDI	GII	Female	Male	Female	Male	(deaths per 100,000 live births)	(%)
<b>VERY HIGH HUMAN DEVELOPMENT</b>								
Norway	0.953	0.048	96.3	95.1	60.8	67.6	2	40.8
Australia	0.939	0.109	90.0	89.9	59.2	70.5	6	30.0
United States	0.924	0.189	95.5	95.2	55.7	68.3	19	23.6
United Kingdom	0.922	0.116	82.4	85.2	56.8	68.1	7	32.0
Slovenia	0.896	0.054	97.4	98.9	51.7	60.9	7	24.4
United Arab Emirates	0.863	0.232	78.8	65.7	40.9	92.0	3	22.5
Hungary	0.838	0.259	95.7	98.0	47.9	64.2	12	12.6
<b>HIGH HUMAN DEVELOPMENT</b>								
Iran	0.798	0.461	65.8	70.9	16.8	71.4	16	5.9
Turkey	0.791	0.317	44.9	66.0	32.4	71.9	17	17.4
Mexico	0.774	0.343	57.8	61.0	44.1	79.0	33	48.2
Brazil	0.759	0.407	61.0	57.7	53.2	74.7	60	15.0
China	0.752	0.152	74.0	82.0	61.5	76.1	29	24.9
<b>WORLD AVERAGE</b>	<b>0.728</b>	<b>0.441</b>	<b>56.5</b>	<b>65.2</b>	<b>52.0</b>	<b>74.4</b>	<b>211</b>	<b>24.9</b>
Uzbekistan	0.710	0.274	99.9	99.9	53.8	77.9	29	16.0
<b>MEDIUM HUMAN DEVELOPMENT</b>								
Egypt	0.696	0.449	58.2	70.7	22.2	73.7	37	14.9
Indonesia	0.694	0.453	44.5	53.2	50.7	81.8	177	18.2
Kyrgyzstan	0.672	0.392	98.6	98.3	48.2	75.7	60	19.2
India	0.640	0.524	39.0	63.5	27.2	78.8	145	12.6
Ghana	0.592	0.538	54.6	70.4	74.8	79.2	308	13.1
Kenya	0.590	0.549	29.2	36.6	62.4	68.5	342	21.8
Cambodia	0.582	0.473	15.1	28.1	80.9	88.7	160	20.0
<b>LOW HUMAN DEVELOPMENT</b>								
Papua New Guinea	0.544	0.741	9.5	15.0	69.0	70.8	145	0.0
Tanzania	0.538	0.537	11.9	16.9	79.5	87.4	524	36.9
Rwanda	0.524	0.381	12.6	17.0	86.0	86.3	248	61.3
Yemen	0.452	0.835	18.7	34.8	6.0	69.6	164	0.3
Liberia	0.435	0.656	18.5	39.6	53.9	57.4	661	12.3
Mali	0.427	0.678	7.3	16.4	60.8	82.5	562	8.8
Burkina Faso	0.423	0.610	6.0	11.7	58.2	75.2	320	13.4
Niger	0.354	0.649	4.3	8.9	67.5	90.7	509	17.0

Source: United Nations Development Program, *Human Development Report 2019*, World Health Organisation, Inter-Parliamentary Union.

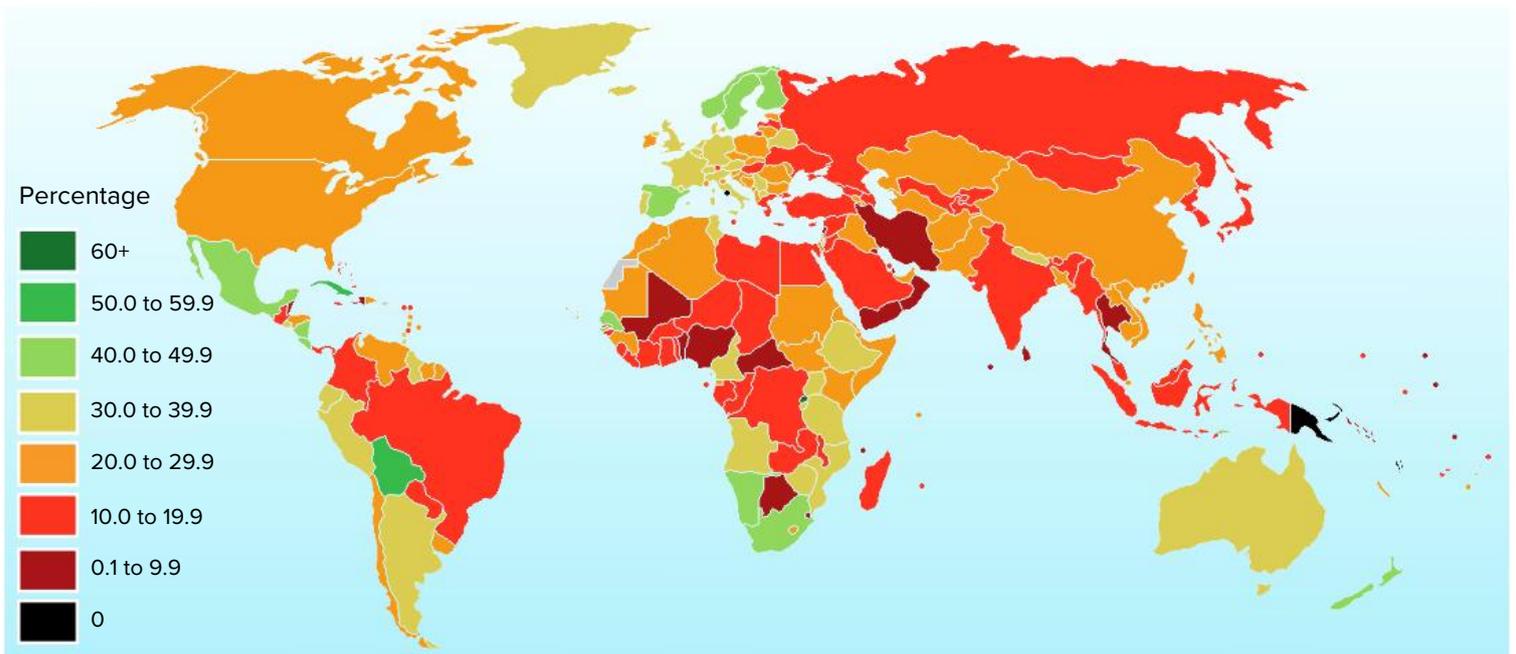


4.16 The world distribution of gender inequality measured by Gender Inequality Index (GII), 2017

GII statistics are shown for a **selection of countries** in table 4.2 together with the HDIs for the same countries, and the **world distribution** of GII is shown in figure 4.16. A **low GII** indicates a country where female inequality is low, whereas a **high GII** indicates a country where female inequality is high. There is no country with perfect gender equality, which would be indicated by a GII of 0.0. The world's top ranking country in terms of GII is Switzerland (0.039), followed by Denmark (0.040), Sweden (0.044), Netherlands (0.044), Belgium (0.048) and Norway (0.048). The country with the poorest GII ranking is Yemen (0.835), followed by Papua New Guinea (0.741), Chad (0.708), Mali

(0.678), Central African Republic (0.673), Liberia (0.656) and Afghanistan (0.653).

The **world average score** on the GII is 0.441. This figure reflects a percentage **loss in achievement** across the three dimensions due to gender inequality of 44.1%. Different parts of the world fare differently, however. **Regional averages** for the GII range from 0.270 in Europe and Central Asia, to 0.569 in Sub-Saharan Africa. In general, Sub-Saharan Africa, the Arab nations and South Asia suffer the largest losses due to gender inequality (56.9%, 53.1% and 51.5% respectively).



4.17 The proportion of women in the lower houses or single houses of national parliaments, 2019. Source: Drawn from data compiled by the Inter-Parliamentary Union.

In addition to the GII figures, table 4.2 shows several measures of gender inequality that are included in the calculation of GII. An additional component of the GII is parliamentary representation by women. In the period 1995 to 2019, the percentage of women in parliaments around the world more than doubled, and yet the result of this increase was that just 25% of people in parliament were women, indicating that there are still gender inequities that can be addressed.

Perhaps surprisingly, the country with the highest proportion of **female parliamentarians** is Rwanda, where 61% of parliamentarians are female.

Unfortunately, one of the reasons for this is that so many male leaders and potential leaders were killed during the civil war in the early 1990s. Other countries with high proportions of females in parliament are Cuba (53%), Bolivia (53%), Mexico (48%), Sweden (47%), Namibia (46%) and Costa Rica (45%). On the other hand, there are several countries with no female representation in parliament whatsoever, including Papua New Guinea and Vanuatu. Countries with fewer than 3% of female parliamentarians include Yemen, Oman, Haiti and the Solomon Islands. The **world distribution** of female parliamentary representation is shown in figure 4.17.

The intention behind developing a **composite indicator** such as the GII is to include a range of factors in a single number to make **comparisons** fair, easy and simple. On the other hand, a disadvantage of composite indicators is that they **hide the details** of the measures within them.

When issues of gender equality are discussed, it is usually matters of wealth, power or influence that are raised. In these areas, females are almost universally **disadvantaged** compared with males, as the statistics in table 4.2 show. Compared with males, females tend to have fewer educational opportunities, they are less likely to assume positions of power in government or business, and they tend to earn lower wages for equivalent work. Although these generalisations are true globally, the extent to which they apply to individuals varies from country to country, and females tend to be less disadvantaged in more economically more developed countries.

Although the GII has focussed attention on gender inequalities around the world, some aspects of its



**4.18** In developing countries, variables such as the adolescent fertility rate and maternal mortality rate are affected by the overall standard of health care. This young mother carries her baby while transporting water from a well to her home.



**4.19** Much of the work done by women is unpaid, but this is not measured by the components of the GII, thus under-valuing the work women perform.

**reliability and validity** have been questioned and criticised:

- A significant proportion of women's work in most countries (and especially in developing countries) takes the form of **unpaid work**, **informal work** and **child care**, but this work is not taken into account by the GII. The GII therefore **underestimates the gender disparity** between men and women as males world-wide spend less time on these activities than women.
- The GII is calculated using the **same variables for all parts of the world**. While this may seem inherently fair, it has been criticised on the basis that gender inequality issues vary in significance in different parts of the world. For example, the GII uses the adolescent fertility rate and the maternal mortality rate to calculate the



**4.20** In most developing countries, women work longer hours than men, but this is not taken into account by the GII because so much of the work is done without financial payment. These women are washing clothes and cooking utensils in the water of the Niger River in Segou, Mali.

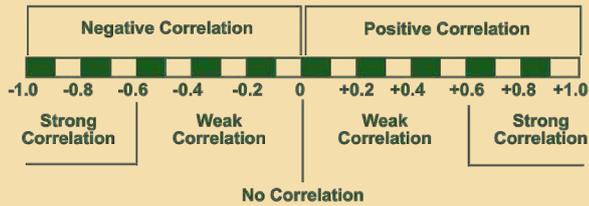
reproductive health dimension, but in developing countries, these rates can be high simply because of poor overall health care or because of a family's poverty, which are not really gender inequality issues. In developed countries, where overall health care is better and sex education occurs in many schools, variations in adolescent fertility rate and the maternal mortality rate are more likely to be reflections of gender inequality. As Aristotle (and later, Thomas Jefferson) said, "There is nothing more unequal than the equal treatment of unequal people".

- The GII was designed to show the **percentage loss of human development** that arises because of gender inequality. However, the **standard** against which the losses are measured is not stated in the methodology of the GII developed by the United Nations. An earlier measure, the GDI, measured losses against the HDI, but this link was not established for the GII.
- The GII mixes together **two types of variables**, which are variables that measure **well-being** and variables that measure **empowerment**. Different standards are applied to these two types of variables. For example, if the maternal mortality rate exceeds 10 deaths per 100,000 live births, then this is considered to be gender inequality. However, the variable that measures female parliamentary representation is not considered inequality until the measure deviates from 50%. Therefore, if men and women rate equally in all the constituent variables of the GII, the GII would still not have a zero value, as it should have.

## QUESTION BANK 4B

1. What was the purpose of developing the Human Development Index (HDI)?
2. Describe the constituent components of the HDI.
3. With reference to figure 4.10, describe the world distribution of human development as measured by the HDI.
4. What benefits does the HDI provide compared with earlier measures of development?
5. Describe the shortcomings of the HDI, and comment on how significant you judge each shortcoming to be.
6. What was the purpose of replacing the GDI and GEM with the Gender Inequality Index (GII)?
7. How is the GII calculated?
8. Explain how the GII can be used to indicate how effectively gender equity is being achieved in a country.
9. With reference to figure 4.16, describe the world distribution of gender inequality as measured by the GII.
10. What are the characteristics of countries that are (a) most effective, and (b) least effective in achieving gender equality?
11. Calculate Spearman's Rank Correlation Coefficient using the HDI and GII figures in table 4.2. To do this:
  - a. Draw up a table with five columns. In the first column, list the names of the 28 countries (omitting the world averages).
  - b. For each country listed, calculate its HDI rank with '1' being the highest figure and 28 being the lowest. Write the figures for each country in the second column.
  - c. For each country listed, calculate its GII rank with '1' being the highest figure and 28 being the lowest. Write the figures for each country in the third column.
  - d. For each country, calculate the difference between the two rankings (i.e. for each country, subtract the column 3 figure from the column 2 figure). Write the answers in column 4 for each country.
  - e. In column 5, calculate the square of each of the figures in column 4. At the foot of column 5, calculate the sum of the squared differences (i.e. calculate  $\sum d^2$ ).
  - f. Calculate Spearman's Rank Correlation Coefficient by applying the formula:
 
$$R_s = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$
 where,  
 $R_s$  = Spearman's Rank Correlation Coefficient,  
 $\sum d^2$  = the sum of column 5 (the sum of differences squared), and  
 $n$  = the number of cases (in this case, the number of countries).

12. Use the diagram below to classify the result you calculated in the previous question, and state any conclusions you can draw about the relationship between HDI and GII.



13. For each of the variables shown in table 4.2, name the country where women appear to be (a) most advantaged, and (b) most disadvantaged. What generalisations can you draw from these results?

14. Look at the statistics in table 4.2 showing the percentage of males and females with at least secondary education. Draw column graphs for each country shown to compare male and female access to education.

15. Describe the shortcomings of the GII, and comment on how significant you judge each shortcoming to be.

## Empowering women, indigenous and minority groups

In many people's minds, the status of people and their **perceived importance** in society are indicated by the work they are allowed to do. This especially affects **women** in societies where strong male or female stereotypes are attached to certain occupations and activities such as child-rearing, and to **ethnic minority groups** that have traditionally been excluded from certain occupations and roles in society.

Women and some minority ethnic groups have been seen as 'beasts of burden', as inferior persons, or as not worthy of having a vote in many societies over time. Such negative perceptions **diminish the status** of women and minorities, and encourage pejorative attitudes. It is in everyone's interests to release female and minority groups from ideas and practices that may keep them in bondage, suffering, slavery and disempowerment.

Measures to discriminate positively to raise the status of disempowered groups are known as **affirmative action**. Also known by the term **positive discrimination**, affirmative action establishes structures, policies and procedures that favour groups such as women, ethnic minorities, indigenous peoples, certain religious groups, sexual

and gender minorities, and non-native language speakers. Affirmative action applies especially with respect to employment, remuneration, education, financial loans, allocation of subsidised housing, and political representation. The intention of affirmative action is to **correct or compensate** for past injustices such as oppression, slavery, economic disadvantage or persecution.

Affirmative action can take many forms, including quotas on parliamentary representation, quotas for employment, and special consideration in education or employment applications. **Critics** of affirmative action claim that it works against merit-based decisions in which the most talented or qualified applicant for a position would be selected regardless of gender, ethnicity, and so on. On the other hand, **proponents** of affirmative claim that merit-based selection is inherently flawed when minority groups have had fewer opportunities to develop the skills or gain the qualifications that more privileged groups have been able to attain.

## Women

The largest socially and financially disadvantaged group globally is **women**, who comprise 49.585% of the world's population (2015 figure), down from 49.971% in 1960. The **role and status** of women varies from country to country, from culture to culture, even within individual countries. The status of women is also changing at different rates in different places.



**4.21** A statue named 'Fearless Girl' was erected in Wall Street, New York (USA) in 2017 to empower young girls to aspire for success in the competitive financial industry. The girl faces the Wall Street bull, which symbolises an aggressive financial market. The statue was originally erected to celebrate International Women's Day.

Although it is difficult to generalise, some statistics are so significant that they cannot be ignored. Overall, the **situation** faced by women is **generally inferior** to that of men, and this is especially so in developing countries. In the words of a brochure produced by the NGO Community Aid Abroad, *“Women often work twice as many hours as men, earn only one tenth of the income of men, consume less of the food than men and own only one hundredth the property of men.”*

In most countries of the world, women earn **less income** than men for doing equivalent work. Average earnings for females relative to each \$100 earned by men are \$83 in the United States, \$82 in Egypt, \$80 in Mexico, \$69 in Iceland, \$64 in India, \$62 in Germany, \$34 in Ethiopia and just \$12 in Bangladesh. To address the income imbalance, Iceland passed a law in 2017 to require all companies with more than 25 employees to show that they pay men and women the same salary for the same work. This requirement came into force in 2020. **Equal-pay legislation** has also been passed in other countries, such as Canada in 1956 and the United States in 1963, but these have not yet had the desired impact, which is why the Icelandic law introduced stronger requirements and more severe penalties.

Since its formation in 1945, the **United Nations** has mirrored the practices of most governments around the world in having a high proportion of men as its national representatives, and also in its staff. Women have comprised less than 10% of the UN’s employees for most of its history. Nevertheless, the United Nations has been aware of the great



**4.23** A woman carries a large load of heavy fuelwood on her back along a road near Jinka, Ethiopia.

inequalities faced by women and as long ago as 1975, it produced guidelines for release at the end of the first **International Women’s Year**.

Among the points in the document were the following:

- The achievement of equality between men and women implies that they should have **equal rights, opportunities and responsibilities** to enable them to develop their **talents and capabilities** for their own **personal fulfilment** and the **benefit of society**.
- Governments should strive to ameliorate the hard **working conditions** and unreasonably **heavy workloads** that fall upon women in many countries, particularly amongst underprivileged social groups.

In many developed countries, women have battled for many years to be able to enter forms of **employment** that have traditionally been regarded exclusively, or almost exclusively, as men’s work. In spite of the widespread understanding that women and men are **equally capable** of performing most jobs, very low numbers of women continue enter many occupations that are still regarded in some societies as ‘men’s work’, especially those which have a component of great physical effort.

It is worth noting that the United Nations’ concern is somewhat different. In many countries, women continue to do the **heavy labour**, which is often unreasonably heavy labour. In some developing countries, it is not uncommon to see men filling head baskets with rocks at a road construction site and then lifting them onto women’s heads to be



**4.22** Women carry heavy loads of cooking implements and other equipment home from the market in Sanga, Mali, accompanied by a man who carries only his walking stick.



**4.24** Young girls carrying heavy loads along the road in southern Ethiopia.



**4.25** Women doing road work, near Jinka, Ethiopia.



**4.26** In developing countries, women routinely perform heavy manual labour such as pounding grain, seen here being done by a young mother with her baby on her back near Mopti, Mali. In developing countries, such work is not looked down upon, and indeed, this type of work is seen as noble.

or driving heavy vehicles, but during the male labour shortage during World War II, thousands of women proved they could handle such jobs. With improved technology, the heavy lifting component of most jobs has now disappeared.

Another reason that was once given for women to be denied a **full education** or access to top positions was that any **investment** made in their professional development would have less return than the equivalent investment in a man. The argument was that men tend to work fairly constantly from the age of 20 to about 60 or 65, while many women spend a number of these years outside the workforce having children or **raising families**. Whatever the truth of this argument, which assumes a division of labour within families that seems increasingly outdated in developed countries, it does not justify denying women educational or employment opportunities, although this is not the case in many developing countries.

Any bias in favour of men in developed countries now seems to be a clear, if not always admitted, attempt to give men the first opportunity at key positions. Even with **equal opportunity policies** in place and **positive discrimination** in favour of women, many women feel that they hit a 'glass ceiling', an invisible but nonetheless real barrier to further promotions.

Differences in the role and status of women in different countries not only relate to economic

transported some hundreds of metres, or to see women engaged in heavy manual labour at road or building construction sites.

The **expectation** that women will perform heavy physical work is seen as the norm in many countries. In some cases it is so blatant that a man may be seen walking along a road or track carrying nothing, while his wife is a short distance behind loaded with firewood and even a child as well. The practice begins at an early age where even young girls are often seen carrying heavy loads.

In many developed countries, the exclusion of women from some work might have been excused at one time on the basis of different **physical strength**. However, this could hardly explain the small numbers of women in fields such as law, academia or engineering. Perhaps it was once a valid argument in more strenuous occupations such as building and construction, factory employment,

factors. In many countries, the status of women is demeaned because of social factors such as cultural or religious traditions that emphasise male dominance.

### Other minority groups

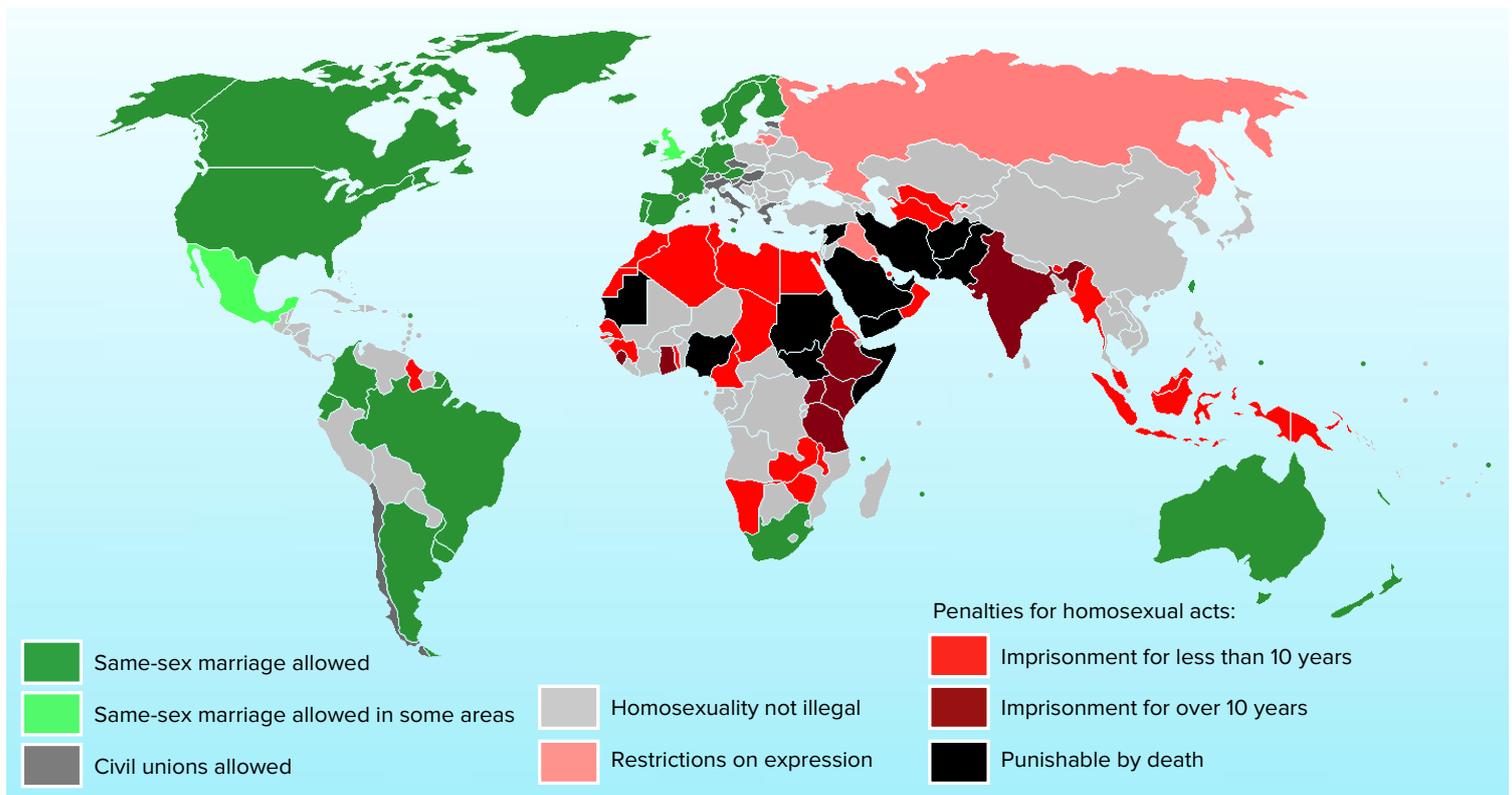
A **minority group** is any category of people who are differentiated from the social majority in a country or community. A person may be in a minority group because of their age, caste, ethnicity, gender, health, language, race, physical condition, religion, sexual orientation, or wealth.

An example of a minority group that faces worldwide discrimination and experiences disadvantage is the **LGBTIQ** (lesbian, gay, bisexual, transgender, intersex, queer/questioning) **community**. In regions with industrialised countries such as Western Europe and North America, the extent of **discrimination** has declined in recent decades, but remains significant. For example, legislation and workplace practices may place same-sex couples at a **financial disadvantage** compared with others in many industrialised countries because they are denied access to concessions and benefits normally available to married couples. Inheritance laws also work against same-sex couples passing on their

wealth when they die. Furthermore, many LGBTIQ people claim they suffer **harassment**, and even **physical violence** in the workplace, in schools and in universities.

Studies in the United States showed that LGBTIQ people **make less money** in their jobs than the general population, even though they usually have higher levels of education. Research in the **United States** showed that:

- Gay men earn an average of 32% less than similarly qualified heterosexual (cis) men.
- About 64% of transgender people earned incomes below \$25,000.
- While 5.9% of the general population earned less than \$10,000 income, 14% of LGBTIQ individuals fell within that income bracket.
- Termination of a person's employment based on sexual orientation remains legal in 31 American states.
- Termination of a person's employment based on gender identity remains legal in 39 American states.
- About 68% of people identifying as LGBTIQ report experiencing employment discrimination.



**4.27** Global distribution of LGBTIQ discrimination and disadvantage, 2019. Note that these situations are dynamic and can change at short notice. Some internal variations within countries are omitted for simplicity. Source: Drawn from data compiled by the International Lesbian, Gay, Bisexual, Trans and Intersex Association, the Washington Post and Freedom to Marry.



**4.28** Christopher Park in New York's Greenwich Village was the site of riots in 1969 in which LGBTIQ residents rose up against oppressive actions by the police. The area is now designated as a US National Monument to commemorate its significance.

- LGBTIQ youth experience homelessness at a disproportionately high rate, with between 20% and 40% of all homeless youth identifying as lesbian, gay, bisexual or transgender.
- Homeless LGBTIQ youth who are without economic support often engage in drug use and risky sexual behaviours that may lead to depression and other mental health conditions.

The disadvantage faced by LGBTIQ people is even more significant in **developing countries**, especially those in Africa, the Middle East, South Asia and parts of the South-west Pacific. Same-sex sexual contact is **illegal** in 72 countries, and in 12 of those countries homosexual acts are punishable by death. The **global distribution** of discrimination against LGBTIQ people is shown in figure 4.27.

The legalisation of **same-sex marriages** is a measure being undertaken in some countries to address one aspect of the social and financial discrimination faced by some LGBTIQ people. This is usually a contentious political and religious issue when the change is proposed, although less so after same-sex marriage has been introduced into a country. In some countries where approval has not been granted for same-sex marriages, **same-sex civil unions** are permitted, which give same-sex couples legal and financial benefits that are equivalent to marriage, but without the label.

In many countries, **indigenous peoples** are an especially disadvantaged group, having been dispossessed from their land and thus losing the capacity to access resources. This can lead to other



**4.29** The Castro district of San Francisco (USA) is a centre of LGBTIQ activism and cultural events. This is illustrated here by light-hearted roadside campaigning for the positions of emperor and empress of San Francisco.

areas of disadvantage including poverty, loss of original language, loss of cultural identity, health problems and discrimination by other groups. Relations between indigenous groups and the wider society in which they live are often further complicated because of the violent history of dispossession that indigenous groups would usually label as an invasion.

Although indigenous groups are generally disadvantaged, there have been instances where **affirmative action** has begun to improve their situations. In Canada, the territory of Nunavut was designated in 1999 as a region where indigenous Inuit people formed a majority of the population, and in Russia, the indigenous Sakha and Komi peoples now control their own autonomous



**4.30** Since the Sakha Republic was given autonomous status in Russia, indigenous culture has been highlighted as a way to raise the esteem of the region's indigenous Sakha (also called Yakut) people. An example is this statue in front of the Opera and Ballet Theatre in the region's capital city, Yakutsk.

republics. In Australia, a case in the High Court (the Mabo case) acknowledged the principle of Native Title, meaning traditional indigenous ownership of land could be recognised within national law.

### QUESTION BANK 4C

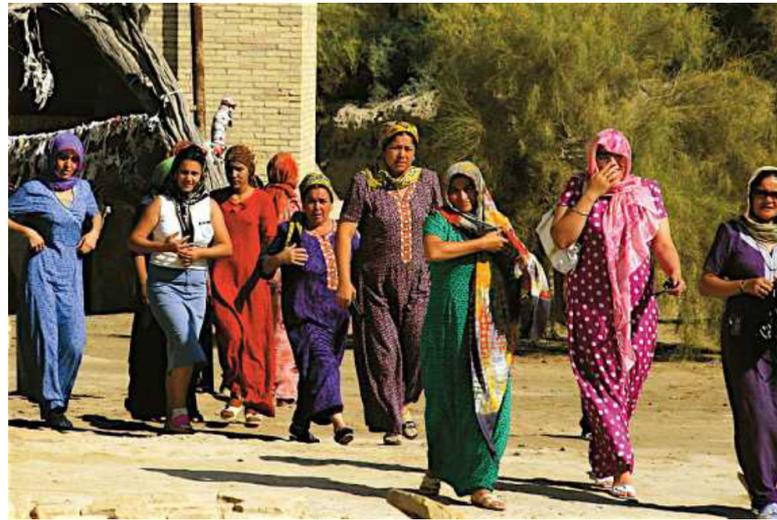
1. Describe the purpose of affirmative action and the ways it can be implemented.
2. Outline evidence that women are a disadvantaged group.
3. What steps are being taken to improve the status of women?
4. What is meant by the term 'minority group'? What are common bases that define minority groups?
5. Outline evidence that the LGBTIQ community is a disadvantaged group.
6. With reference to figure 4.27, describe the world distribution of LGBTIQ discrimination and disadvantage.
7. Describe some examples of affirmative actions that have attempted to close the development gap for LGBTIQ people.

### CASE STUDY

#### Affirmative action to empower women in Muslim countries

Few issues have greater potential to cause misunderstanding between the Islamic world and the West than the role and place of **women in Muslim societies**. It is difficult to make generalisations about this subject because of the extreme **diversity** and **cultural differences** across the Muslim world, which is a vast area extending from Morocco in the west to Indonesia in the east, spanning many different countries, ethnic groups, communities, races and cultures.

The one common factor is the Muslim religion, known as Islam, although there are **variations** within the beliefs and practices of Islam that influence the role of women in different Muslim countries. As the noted Muslim Pakistani development activist and writer on gender issues, Ms Khawar Mumtaz, commented: *"The situation of Muslim women is differentiated by country and also, within each society, by class, ethnicity, rural or urban location, and level of development."* Despite the different cultures and backgrounds, there are some aspects of Muslim women's lives that appear common to most of them, which according to Ms



4.31 Women leaving a mosque at Jamal ad-Din, Turkmenistan.

Khawar Mumtaz, have traditionally included *"the desire to control women (that) seems to pervade all Muslim societies."*

According to the Qur'an (the Holy Book of Islam), men and women are **equal** before God (Allah). The Qur'an takes a strong **binary view of gender**, regarding men and women as two units of a pair, complementing each other in various physical and psychological ways.

Islam does not assign a lower status to women, but it does assign **different responsibilities** to men and women. For example, in the family structure that the Qur'an prescribes, women are responsible for raising the children and domestic duties while men are responsible for providing security and livelihood for the family. When the practices of different countries are compared, there is less



4.32 Women in Yemen dress more conservatively than in many other Muslim countries, usually covering their entire body except for the hands and eyes. These women are carrying freight on their heads while walking along the road between Zakati and Thula.

uniformity than the Qur'an might seem to suggest, and different Muslim countries assign women varying **degrees of rights** with regards to marriage, divorce, civil rights, legal status, dress code, and education. This is especially so for countries that have had greater exposure to international linkages, and in such societies, many people have found themselves caught between tradition and change. In these situations, women may be used as symbols of both **tradition** and **change**, with some women being given **equality** with men and social position, while others were kept hidden behind the veil and in **submission**.



**4.33** These women are Mozabites, an Islamic sect of Berber people who live in the M'Zab Valley of central Algeria. Their conservative culture and religion are seen outwardly and most obviously by the ghost-like white robes worn by many of the married women that hide all the body and face except for a single eye.

Although some people in Western countries see Islam as a force that promotes gender inequality, many Muslims argue that Islam promotes **affirmative action** for women and is a feminist religion. As the Sudanese-Australian Muslim activist and co-founder of Youth Without Borders, Yassmin Abdel-Magied stated in 2017, *“Islam to me is the most feminist religion. We got equal rights well before the Europeans. We don't take our husbands' last names because we aren't their property. We were given the right to own land.”*

In countries such as Tunisia, Malaysia, Egypt and Turkey, affirmative action has advanced women's rights further than in more isolated societies such as Saudi Arabia, Yemen and Afghanistan. Perhaps the most visible symbol of this difference is **clothing** and dress.



**4.34** This roadside sign near Tehran (Iran) promotes the wearing of the hijab with the words (in Farsi) “The hijab is like the shell that covers the pearl inside”.

The Qur'an instructs all Muslims (men and women) to dress in a modest way. When this is applied to women, it is often referred to as **hijab**, which comes from the Arabic word meaning ‘cover’ but which in the context of clothing is used more broadly to mean ‘modest dress for women’. In most Islamic countries, hijab implies using loose clothing to cover all parts of the body except for the face, feet and hands when in public. Tight fitting clothing conflicts with the standards of modesty implied by hijab, so loose clothing that hides the shape of the body is the norm for Muslim women, and in some stricter societies, even the face must be covered. In recent years, hijab has become a symbol of Muslim **identity and morality** that stand in defiance of Western values such as materialism, commercialism, and values. Hijab is a source of pride and distinctiveness for many Muslims, while for many Westerners it is seen as a symbol of gender oppression.



**4.35** Iranian women wearing the chador, on their way to a mosque in Esfahan.

Since the Islamic Revolution of 1979 in Iran, wearing the **chador** has been the usual way for women to comply with hijab when outside the house. The chador is a piece of (usually) black full-length fabric that is thrown over the head and held closed at the front. Wearing the chador is not compulsory for Iranian women, although modesty in dress is enforced. Almost all Iranian women do choose to wear the chador, however, claiming simply that it is a respectable and pious way to dress. A smaller number of women claim to wear the chador as a sign of support for the country's Islamic rulers. Most Iranian women claim that they find the chador to be a very comfortable and liberating way to dress, as they can wear whatever they like underneath – including blue jeans and western clothing – and it is said to be extremely

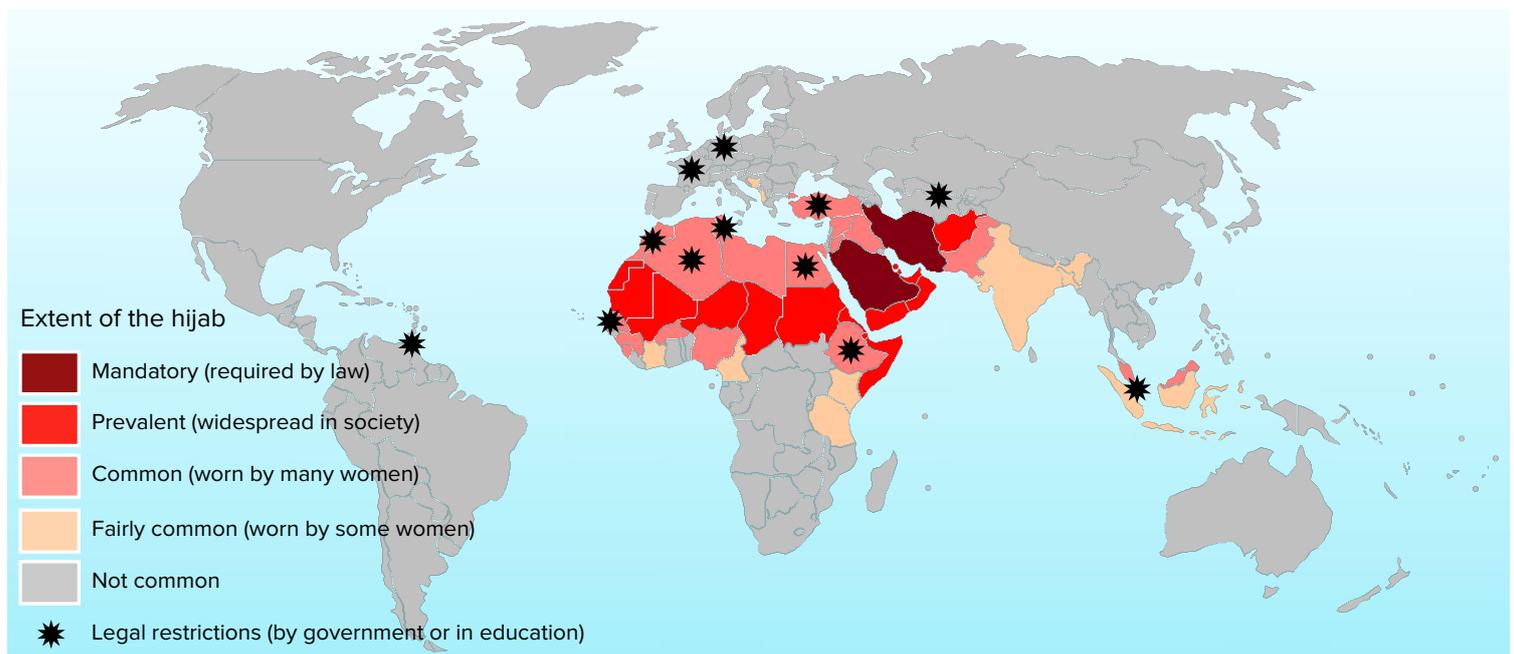
comfortable. In the West, on the other hand, many people view the chador as a symbol of suppression of women's rights to express themselves as individuals in Iran.

Perhaps the strictest expression of hijab for women in recent years occurred in Afghanistan during the period from 1996 to 2001 when the Taliban controlled Afghanistan. The Taliban adopted an extremely strict, fundamentalist ideology that opposed outside (especially Western) influences and took a very narrow interpretation of the Qur'an on moral and legal issues, imposing a code of Islamic law (called *sharia*) that included punishments that many outsiders saw as extremely harsh. One expression of Taliban rule was the requirement that all women wear the **burqa**, a traditional Afghan cloak that covered women completely, including the eyes.

The perception outside Afghanistan (especially among women's groups in North America and Western Europe) was that enforcing burqa wearing was a violation of women's rights. It became a significant issue in 2001 as the US Government was seeking support for an invasion to overthrow the Taliban. To many people in Afghanistan, enforcing the burqa was seen as more legitimate than many other Taliban actions that did not seem to stem from the Qur'an or sharia law, such as bans on clapping at sports events, bans on flying kites, bans on trimming beards and bans on sports for women.



4.36 Young women wearing variations of the chador, crossing a bridge in Esfahan, Iran.



4.37 Prevalence of hijab clothing, and countries where there are restrictions on its display.



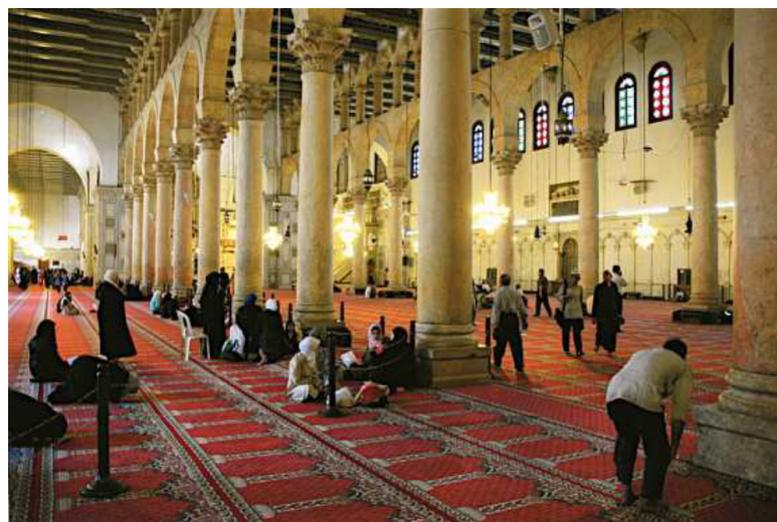
**4.38** Islam is a religion that informs every aspect of everyday life. The quote from the Qur'an on the fence in this street in Tehran (Iran) states "And say to the believing women that they should not stare in the men's eyes and they should subdue their carnal desires".



**4.39** The status and dress of Muslim women vary widely, reflecting the culture of the country as well as Islam. This Muslim woman is shopping in the markets of Niamey, Niger.

Saudi Arabia, where sharia law is strictly applied within the context of a highly conservative society. Women are not allowed to leave their houses without a male relative such as their father, brother or husband, and clothing must cover everything except the eyes and hands. However, recent reforms have eased several restrictions on Saudi women, and since 2017 they have been allowed to get access to government services such as health and education without a male relative's permission. Saudi women have been permitted to drive cars on public roads since 2018, and since 2019 Saudi women have received the right to be notified if their husband divorces them, even if it is only as a text message from the court.

During law cases in Pakistan, the testimony of one man is equal to that of two women. For a woman



**4.40** In Islam, men and women are seen as being equal but dissimilar. This is reflected when attending the mosque, as men and women have separated zones, as seen here in the Umayyad Mosque in Damascus, Syria.

Ironically, several of the European nations that protested about enforcing wearing the burqa on the grounds that it restricted women's right of choice are now debating whether to ban burqas, head scarves and other items of clothing associated with Islam such as the niqāb, which is the face veil. France and several states in Germany have **banned the wearing of head scarves** in schools, the Netherlands has banned the niqāb, and in 2006 the British Foreign Secretary, Jack Straw, called on British Muslim women to abandon the full veil, a view that was subsequently endorsed by the then-Prime Minister Tony Blair.

Some countries with large Muslim populations adopt very **different approaches** to the wearing of hijab. For example, 99% of Turkey's population are Muslims, and over 60% of women wear the hijab. However, Turkey has a strong tradition of secularism that separates government from any spiritual or religious basis. As a consequence, wearing headscarves is banned in private and state universities and schools, and it is not permitted in public offices, including all government buildings. Understandably, this policy is controversial, and many Muslim women claim that the bans represent **discrimination** against them. In contexts such as these, it can be difficult to determine what constitutes **affirmative action** to empower women.

Of course, the issue of gender equality in Muslim countries affects many more areas than clothing. The issues confronting women vary from country to country. One of the stricter Muslim societies is

to prove she has been raped, four adult males of 'impeccable character' must testify that they have witnessed the penetration. Understandably, as a result of this requirement, very few men are charged with rape in Pakistan. According to western media reports, 60% of Pakistani women finish up being charged with adultery if they are raped, for which the punishment is either imprisonment for the woman or an enforced marriage to their rapist.

In spite of these extreme examples, it would be wrong to label Muslim societies as looking down upon women. Such a view would be judging a culture by standards that are not its own. Indeed, many people in Muslim societies argue that their treatment of females elevates women to a much higher place than is common in Western societies. Most people in Muslim societies would argue that their women are **protected** from the kinds of exploitation that are often common in Western societies – one would never see a semi-nude woman draped over the bonnet of a motor car for advertising purposes in a Muslim society, for example.

It would also be wrong to claim that women can never rise to **positions of power** in Muslim societies. Among the Muslim women who have become heads of state in substantially Islamic countries are Benazir Bhutto of Pakistan, Mame Madior Boye of Senegal, Tansu Çiller of Turkey, Kaqusha Jashari of Kosovo, Megawati Sukarnoputri of Indonesia, Cissé Mariam Kaïdama Sidibé in Mali, Bibi Ameenah Firdaus Gurib-Fakim in Mauritius, and both Begum Khaleda Zia and Sheikh Hasina Wajed in Bangladesh.



4.41 "Can you spot the male-dominated culture?"  
A cartoon by Malcolm Evans (2011).

The status of women in Muslim (Islamic) countries will probably continue to be a subject of debate between Muslims and non-Muslims. Women may be treated differently from men in Islamic societies, but it depends on one's point of view whether these differences also necessarily mean inferiority. This makes the need for affirmative action to improve the plight of women a **debatable question**. Non-Muslim observers argue that affirmative action is required, but a majority of residents of Islamic countries argue that this is unnecessary unless the agenda is to impose non-Islamic values and attitudes upon the society.

### CASE STUDY

#### Affirmative action to close the development gap for women in China

The position of women in China has **changed dramatically** in the last half century. The extent of these changes has been so great that many commentators regard China as one of the best examples of how long-term attitudes of gender inequalities that traditionally suppressed the place in women can be largely overcome within a generation or two.

For thousands of years Chinese women lived under **prolonged oppression**, degradation and abasement in a very hierarchical, patriarchal (male-dominated) society. Women were considered inferior to men and this was shown in many ways:

- women had **no political rights**
- women were **excluded** from political and social life
- women were **economically dependent** on men
- women had **no property or inheritance rights**
- women were denied all sources of **personal income**
- women had **no social status** (they were kept at the 'bottom of society')
- women were forced to **obey fathers** and then **husbands** (or sons, if widowed)
- women were **forced to marry** men chosen by their parents and matchmakers
- women were **not allowed to remarry** if widowed
- women had almost **no personal dignity**
- women were **denied formal education**

- women were harassed by systems of **polygamy** and **prostitution**
- many women were forced to have their **feet bound** from childhood

Many negative traditional attitudes to women were so old that they become part of the Chinese language. For example, *wife* is written 婦, a compound of *woman* 女 and *bosom* 帚, reflecting the role that women were seen as performing – raising children. Women’s characteristics were not favoured by the language; *craft*, *hypocrisy* and *deception* were written as 奸, or the woman’s 女 weapons 干, while to *act craftily* 矯 was made up from acting 寫 the woman 女. If the character for woman 女 was doubled to show two women together 姦, the meaning was *to wrangle*, while three women together 姦 was the character for *intrigue*.

The **traditional** Chinese view of the world saw everything in terms of **yin and yang**. Yin was the female, or negative, part of nature. Yang was the male part of the world, the parts of light and life. The north, for example, which is cold, was seen as Yin, whereas the south was Yang, being warm. Cold water was Yin and hot water was Yang. Anything concave, such as a tile, was Yin, whereas the convex part was Yang. The underneath or inner side of a leaf was Yin, but the top or outside was Yang. The sun was the essence of the male Yang, but the moon illustrated the female Yin. Therefore, darkness was Yin, and light was Yang. Odd numbers were Yang (being lucky), but even numbers being unlucky were Yin. This view was part of the Chinese way of viewing the world, and it was used to keep **women suppressed** in society.

In traditional China, a common saying was, “*A wife married is like a pony bought; I’ll ride her and whip her as I like*”. Women were not respected, but merely regarded as **possessions** of their husbands and bearers of children – especially sons. Daughters were shunned as not being able to work, and baby girls were often **killed** by being thrown down a well or buried alive in order that the sons might enjoy a better upbringing. Daughters were seen as simply an additional mouth to feed for a future husbands benefit. As recently as 1900, it was common to see signs in China reading “*Girls may not be drowned here*”.

Girls were **seldom educated** apart from learning to cook and to sew. All girls were expected to marry

and parents usually **arranged the marriages**, with children having no say in the matter. When a woman was engaged to a man who died before the wedding, the woman married the spirit of the dead man in a full wedding ceremony, with the bride standing next to the wooden tablet with the dead man’s name and dates of birth and death written on it. To save expenses, **child brides** were sometimes purchased, with the girl raised alongside the boy until marriageable age, when a simple wedding ceremony took place. If a couple had no son, they could still take a daughter-in-law-in-anticipation until a son was born. As a result of this practice, a 28-year old woman in 1950 had to file a divorce because she had been married to an eight-year-old boy. Before 1949, **divorce** was not possible and the woman would have had to **commit suicide** to escape the situation.

For girls who survived infanticide, **foot-binding** was often practised. Small feet were considered a sign of beauty. Foot-binding began at the age of four years and involved dislocation of the bones in the feet. The four smaller toes were bent under the instep and the big toe was sometimes brought backwards over the top of the foot. With great pain, the feet were wrapped up and forced into a shoe about 10 centimetres long, making walking extremely difficult.



4.42 A young woman with bound feet during the late Qing Dynasty in China.

Women were **not to leave their homes** except in closed carriages (for the rich). Men and women were never permitted to **touch** each other. This rule was accepted so literally that a man was unable to help a drowning woman.

The 1911 Republican Revolution ended many of these practices and ideas. Demands were made for the first time for women to have the **right to vote**, to **marry freely**, to be **educated** and to own **property**. In practice, **few changes** were made until the Japanese invasion in 1937, when necessity forced small numbers of women to take up **employment** in factories, in the fields or in the army. Apart from the **abolition of foot-binding**, few women achieved any more freedom than the little they had during the Qing dynasty. This was largely because most husbands retained their **traditional ideas** about the ways in which wives should behave.

When the Communists came to power in 1949, they promised to change this situation, initiating what was perhaps the world's first and most enduring **affirmative action campaign** for women. From that date, a popular phrase became "*Women hold up half the sky*", and great steps were made to accept Chinese women as the full equals of men. Since that time, Chinese women have made many important contributions to such projects as industrial and agricultural production, science, culture, politics, education and health care. A law



**4.43** The Chinese government used propaganda posters for many years as part of its affirmative action campaign to change traditional attitudes towards women. The slogan on this 1974 poster reads "Revolutionary teachers and students are the same as the comrades fighting at the frontline", and the choice of females as role models was deliberate to break down traditional ideas of women being passive and uneducated.



**4.44** Music, opera and dance performances were used by the Chinese Government to promote positive views of women, as shown in this 1971 propaganda poster depicting a scene from the revolutionary opera 'Red Detachment of Women'. The caption on the poster reads "Train hard to develop skills for destroying the enemy. The Red Flag flies under the trees. Chinese peasants' and workers' Red Detachment of Women is officially formed. Graceful but strong, armed with rifles, the female soldiers are in high spirits to liberate countless suffering people and train hard to kill the enemy".

was passed in 1950 prohibiting **polygamy** and **child betrothal**. Massive campaigns were organised to **change traditional attitudes**. In Mao's New China, all citizens were required to work and so women were reclassified as citizens for the first time.

Women were granted **equal pay** for equal work. They were encouraged to undertake the **same employment** as men, even in heavy occupations such as industry, in the oil fields, construction work, and in the army. Children who were upset were brought to their mothers and young mothers were given two half-hour periods per day to feed their babies. Many factories ran their own nursery and kindergarten for the children of women workers.

The first meeting of the **Chinese People's Consultative Conference** (the forerunner to the National People's Congress) in 1949 was attended by 69 women, or more than 10% of the delegates. Although this figure may sound like a small percentage, in the context of traditional China it represented an earth-shattering change from previous practice.

In the years following the Communist Revolution (called 'Liberation' in China), women were given the **vote**, the right to **own land**, the right to **move out of the home**, to **work** and to **socialise**, and

**prostitution** (a form of slavery in pre-revolutionary China) was banned. A campaign to eradicate **illiteracy** was started, and the female illiteracy figure declined from over 90% in 1949 to 38% in 1992 and just 7% today. New **marriage laws** were introduced making forced marriages illegal from 1950, prohibiting polygamy, and guaranteeing the rights of women and children. As a result of the changes, there was a reduction in wife bashing and arranged marriages.

During the dynasties, women seldom had **names**. Instead, a Chinese woman would be known by something like 'the third daughter of the Wen family', and then after marriage she might be called 'Madame Wen'. Husbands did not call their wives by name because they supposedly did not deserve names. Today, women are given names to use with their family names (which come first in China). These names do not change after marriage.

Women are being encouraged to **enter politics** and government affairs. Over 30% of all government positions are now held by women, although this figure has actually declined in the last 20 years and in the political arena, most positions held by women are at local levels. In the period since 1997, China has slipped from 16th place in the world to 74th for the percentage of female parliamentarians. This is one area where **affirmative action** that set quotas for female representation initially worked,



4.46 A female doctor dispenses medicine in a medical clinic in Gonghe village, a poor rural area of China's Guizhou province.

but when the quotas were removed because they were thought to be no longer needed, female representation declined.

Today, China's women are **more liberated** than many other parts of the world, and certainly much more than they were in the past. Chinese women occupy significant **senior positions** in industry, education, commerce, and politics. They are **educated** to very high levels and they often travel overseas to further their education. Chinese women today can be seen working in almost every job on an **equal basis** with men, including labouring and technological jobs.

This is a far cry from the past, as women in pre-revolutionary China were among the most oppressed anywhere in the world. In the second half of the nineteenth century, a teacher in a Chinese Christian mission school for girls stated that China "*must remain stagnant as long as her daughters are denied the right and opportunity to cultivate and cherish in things beyond the four walls of their homes.*" It took millions of lives and two revolutions to prove the comment correct.

### CASE STUDY

#### Affirmative action to advance the Dani people of West Papua

The western half of the island of New Guinea is part of Indonesia. Perhaps confusingly, the entire western half of New Guinea is known as **West Papua**, and it contains the two eastern-most provinces of Indonesia, one of which is also called West Papua while the other is called Papua.



4.45 Today, as this view of a station in the Shenzhen Metro suggests, Chinese women are the social equal of men in terms of freedom of movement and access to education. However, affirmative action is still required to overcome female disadvantage in areas such as political representation, employment in senior managerial positions and social esteem, as boy babies continued to be preferred over girl babies because they carry on the family name.

The Highlands in central West Papua is home to the **Dani people**, most of whom live in the Baliem River valley. The Dani were one of the last large groups of people to have 'first contact' with the outside world. Their existence was unknown by outsiders until a group of American adventurers, led by Richard Archbold, flew over the Baliem Valley in 1938. Since the 1950s, contacts with outside cultures have increased, although the Dani remain quite **isolated** because of the rugged terrain of the Highlands.

The Dani are among the most **disadvantaged** groups of people in Indonesia. They are an **indigenous group** numbering about 270,000 people with no linguistic, religious, cultural, or ethnic commonality with the governing Indonesian authorities. Furthermore, as most of the Dani are Christians, they are a **religious minority group** within Indonesia, the governing Indonesians being

mostly Muslims from the islands of Java and Sumatra. In order to understand the situation of Dani people today and the affirmative actions that may be required to close their development gap, it is necessary to understand the events that have created their current circumstances.

### Pre-contact Dani life

Before contact with the outside world, the Dani people lived a very **traditional lifestyle** that was heavily dependent on their biophysical environment. The lifestyle of traditional Dani people centred on growing food. Unlike most traditional groups in New Guinea, which practised shifting cultivation, the Dani practised **sedentary agriculture**. This means that the same land was cultivated year after year, rather than being abandoned for a new plot. Sedentary agriculture meant that land could be individually owned,



4.47 West Papua, showing the location of the area inhabited by Dani people in red.



4.48 Dani cultivation on the steep slopes of the Baliem River valley. The smoke that is visible is an area where burning off is taking place to clear land and create ash for use as fertiliser.



4.50 The men's hut in a Dani village. Men's huts are always the largest round building in a compound, and face the entrance at the opposite end of the compound from the gateway.

intensively farmed and neatly laid out, using a complex system of irrigation channels. Farming plots were surrounded by fences with sharp spikes on top to keep wandering pigs out of the gardens. The main crop grown was the sweet potato and after the initial clearing of the land, work in the fields was usually done by the women.

Traditionally, the Dani people lived in **round timber houses** with round grass roofs. Huts were almost always situated immediately **beside the food gardens** so that no time was wasted going to and from the fields. Men lived in **separate houses** from the women and children and the houses for both genders were always two storey. The lower level had an earth floor, covered with grass, and was used as a living and cooking area. There was a fire in the centre that filled the hut with smoke for warmth. The upper level, which had a bamboo



4.51 The women's hut in a Dani village. Women's huts are always smaller than the men's huts, and are located at the side of a compound. The entrance to this compound can be seen in the background.

floor, was for sleeping and (in the case of men's huts) for storing valuable or sacred objects. Dani huts had no chimney, so the smoke built up in the huts, eventually seeping out through open doors or through the thatched roofs. Dani people therefore spent most nights inhaling smoke from the fires, and this caused serious **health problems**. The average life expectancy of Dani people (even today) is only 38 years as many die from pneumoconiosis. This is similar to the disease suffered by coal miners called 'black lung disease' when the alveoli of the lungs become clogged with coal dust (carbon).

An important part of traditional Dani life was **ritual warfare**. Watchtowers were built in each Dani village. While the women gardened, the men would keep watch in case a surprise attack should come. Fighting used spears, bows and arrows.



4.49 Traditional Dani culture is quite intact despite the cultural contact experienced, as shown in this village celebration in Hukuluak village compound.



**4.52** Ritual warfare was an integral part of traditional Dani culture, but was largely eliminated by Christian missionaries.



**4.54** Smoke seeps through the thatched roof of a Dani house where a fire is burning to warm the interior in the cool, high altitude mountain evening. Within the hut, the swirling smoke presents a health hazard for the people inhaling the smoke.



**4.53** When ritual warfare was practised, watchtowers such as this example were found scattered through villages and food gardens throughout the Baliem Valley. Today, they are rare.



**4.55** Smoke from the fire in the middle of the men's hut has deposited black carbon on the walls and upper floor where the men sleep at night, indicating the unhealthy interior environment of Dani huts.

However, the purpose of the fighting was not to take territory or to kill the opposition. The fighting was done for the sheer enjoyment and excitement. Normally, a battle would not last more than a single day, and would normally end when first person had been killed –this would determine the winner of the battle. In some cases, people from the winning village would eat the body of the person killed to draw upon his spirit and strength. However, this often **spread diseases**, especially when the brain of the dead person was eaten. This was because any disease suffered by one human can be caught by another, unlike diseases carried by animals to which humans tend to be immune.

## Early contact with the outside world, explorers and missionaries

Although 'first contact' with the Dani people occurred in 1938, it was not until the 1950s that extensive contact with the outside world began. In April 1954, **Christian missionaries** landed in the Baliem Valley to establish a mission station. Six years later in 1960, virtually all Dani people were in contact with one or another missionary group. The missionaries had an explicit program to advance the **status and welfare** of Dani people that represented an early form of **affirmative action**. They opened **schools** throughout the Dani area and began **medical services, church services** and **literacy programs**. Unlike government officers, the missionaries always learned the local language and lived as much as possible like the local people, and so they were able to communicate very clearly.

The missionaries came to convert the Dani people to Christianity. They felt that the traditional Dani people were 'lost souls', and that becoming Christian was the only way they could have eternal life. By the early 1990s, almost every village in the Dani area had one or more mission station attached to it, and today more than 80% of Dani people identify as Christians. In fact, West Papua has become Indonesia's only region where Christianity is the dominant faith.

**Culture contact** with the Christian missionaries had great impact on the Dani people. When they were first converted to Christianity in the 1950s, many Dani people thought they would change colour and became white. By the early 1960s, Dani had come to terms with being black Christians. As a result, many Dani people have adopted Christian names such as Moses, Isaac, and even Epaphroditus.

The missionaries in West Papua never insisted that Dani people who had become Christians should wear Western clothing or abandon most aspects of their traditional culture. The missionaries were concerned that **clothing** would create skin problems for the Dani because it was so hard to wash clothes properly. Therefore, although most Dani people have chosen to adopt Western clothing, at least on occasions or when travelling into towns, some Dani people (mainly older men) continue to wear traditional clothing.



**4.56** Churches are found throughout the Baliem Valley. Although many were built by Christian mission groups, most are now led by local Dani people who have completed theological studies.

The missionaries also brought great changes to the traditional pattern of **farming**. They brought **new tools** – shovels, hammers and nails – which could make the traditional lifestyle more efficient so Dani **wealth and living standards** could improve. They also brought household implements such as saucepans and plastic dishes that made life in the villages easier. However, manufactured goods such as these cost money, and for the first time Dani people came to see the need to **earn some money**. Over time, money has come to replace pigs as the measure of a person's wealth.

Traditionally, the Dani people were **subsistence cultivators**. In other words, they grew only enough food for themselves and their immediate families. When the missionaries arrived, they bought food from the Dani people, and this led to small markets



**4.57** A woman tends her sweet potato garden. Sweet potatoes are the most common traditional food staple for Dani people.



**4.58** The food sold in the markets in Wamena show the diverse types of food grown by Dani as a result of the impact of Christian missionaries who introduced new vegetables to the local diet.

being established. The main crop grown by the Dani was the sweet potato. The missionaries wanted a more diverse diet, so they handed out seeds to grow **vegetables** such as cabbages, tomatoes, carrots, corn and beans. The Dani people then began eating these vegetables also, and their diet became more balanced and **malnutrition decreased**.

Perhaps the biggest impact of the missionaries has been to change the world view of the Dani people. The main aim of the missionaries was to lead the Dani into a mature Christian faith. This meant that the Dani had to learn how to read and write, because otherwise they would not be able to read the Bible or other Christian literature. Each of the mission stations built a **school**, and both children and adults were encouraged to attend



**4.59** This Dani food garden has onions growing with sweet potatoes. Onions were a crop introduced into the area by the Christian missionaries.

classes to learn basic literacy and numeracy. Over half the Christian missionaries in West Papua were involved in translation and literacy programs with local people. Through **education**, the Dani have come to learn that the world is much bigger than they had thought possible. The Dani still believe the world is full of ghosts and spirits, but they now see these spirits as being subject to the higher authority of God.

### Indonesian impact

**Indonesia** took control of West Papua from the Dutch in 1962. The Indonesians were as different from the Dani people as the Dutch before them. Almost the entire population of West Papua in 1962 were **Melanesians** (of which the Dani were just one group), closely related to the people of Papua New Guinea and other countries such as the Solomon Islands, Vanuatu and Fiji. The only historic link between West Papua and the rest of Indonesia is that both used to be Dutch colonies. Some people argue that Indonesian control of West Papua today is an example of **colonialism**.

There was some **resistance** to the Indonesian take-over by Dani people. In 1977, **fighting** broke out in the Dani region. The Dani attacked the Indonesians with bows and arrows and the Indonesians responded with rockets, attack aircraft and helicopters to strafe Dani villages. About 500 Dani people were killed.

Dani people feel that the Indonesian officials in West Papua **look down** upon them, seeing them as savages who are little better than animals. For



**4.60** Indonesian settlers have introduced Islam into the Baliem Valley and built several mosques, one of which is shown here in a rural area south-west of Wamena.



**4.61** The Indonesian Government has constructed small offices to help Dani people throughout the Baliem Valley. This office services microcredit applications for Dani people who would like to become entrepreneurs.

many years, Indonesian authorities tried to ignore the Dani people as much as possible, and this helped to preserve their traditional culture. Travel to and from the Highlands by Dani people is heavily restricted by the government, and alcohol is banned from the Dani region by the government leaders, most of whom are Muslim.

One exception to this ignoring of the Dani concerned the wearing of **clothes**. Indonesian officials were offended by the near-nakedness of the Dani, and a campaign was launched in the early 1970s to get them to wear clothes. The campaign was called 'Operation Koteka', *koteka* being the Indonesian word for 'tail', an insulting term for the penis sheath traditionally worn by Dani men. Most Dani people were usually too proud of their traditions to abandon their traditional clothing, and as they despised the Indonesians, the campaign failed. Dani people resented the insulting comments about their traditional clothing and if anything, Operation Koteka encouraged Dani people to continue wearing traditional dress as a sign of defiance against what they saw as **cultural imperialism**. It is only in recent years that most Dani have largely adopted Western clothing, long after it was seen as a statement of identity.

By the mid-1980s, the Indonesian government felt the need to try once again to improve the life of the Dani people and reduce the **development gap** between them and other Indonesians. The authorities were concerned about the short life expectancy of the Dani, many of whom were dying in their late 30s from pneumoconiosis. The

government began building Western-style **square houses** for nuclear families. Most Dani people rejected these houses and have often built traditional houses beside them. Then they use the square houses for storing books or clothes or as animal shelter. They do not like the square houses because they are too cold – the metal roofs let out the heat at night and the smoke escapes through the doors and windows.



**4.62** A western-style house provided for Dani people by the Indonesian government. Like many such houses, this one is used for storage, with Dani families preferring to live in the traditional hut they have constructed behind it. Being near a main road, it has electricity connected to it.

The Indonesians have had some influence on the Dani **diet**. In an effort to make the Dani people more Indonesian, new crops such as **rice** and new animals such as water buffalo were introduced. Most Dani people have not adopted these new foods because they cannot attach any wealth or prestige to them. Dani people see chickens and goats as something to sell rather than eat. They do not refuse to eat the **new foods**, but most cannot see a good reason to do so.

A **cultural conflict** arose between the Dani and the Indonesians over the value of **pigs**. The Dani people have traditionally seen pigs as the main source of wealth and prestige. However, to the Indonesians who are Muslim, the pig is an unclean animal. The Indonesians tried to convince the Dani people to stop eating pigs, but they were not successful. Then the Indonesians offered to improve the quality of Dani pigs by importing some new stock from Bali for breeding purposes. Bali is an Indonesian island, but being Hindu, had some pigs.

Unfortunately, the pigs from Bali carried a disease called **encephalitis**. This caused death by inflammation of the brain among people who ate the pig meat. The disease is still widespread among Dani pigs, and many Dani people believe that the Indonesians sent diseased pigs to West Papua deliberately in an effort to kill them.

The Indonesian government is still trying to make the Dani people more 'Indonesian'. In the late 1980s, the government took over most of the mission **schools** so that Dani children would learn about Indonesian things — language, culture, religion — rather than Christian things. School classrooms now carry portraits of the Indonesian president as the government wants the children to see themselves as Indonesians rather than Dani. However, most Dani children have difficulty with Indonesian education. Unlike the mission schools, which taught lessons in the Dani language using traditional systems of thinking and logic, schools now teach in the Indonesian language and use different ways of thinking. Even today, fewer than 3% of Dani children proceed to high school.



**4.63** An Indonesian Government primary school in Siepkosi, a small village in the Walelegama district of the Baliem Valley.

### Affirmative action to help Dani people today

The **development gap** between the Dani people and other ethnic groups in Indonesia remains huge. Indonesian authorities collect very few statistics on the economic situation or the health, education, or welfare of Dani people, so it is impossible to quantify the development gap. As most businesses in the largest town in the Baliem Valley, Wamena, are run by immigrants from Java, Sumatra and

Sulawesi, it is reasonable to assume that average incomes of Dani people are well below the income levels of other ethnic groups.

Both the **Christian churches** and **Indonesian Government** continue to implement policies and practices to reduce the development gap. In an effort to improve the quality of **education** for Dani people, the Christian churches (most of which are now led by local Dani people) have begun opening up **schools** to teach basic literacy and numeracy to young children. These **basic schools** are often more accessible to Dani people than government schools because they are located in isolated areas near people's homes, and therefore do not require road travel like the government schools.

**Education** in both mission and government schools is probably the most significant initiative to close



**4.64** A small two-room primary school in the rural district of Kurulu, built by the local church. The school is so basic that there are no tables or chairs, and the children sit on the floor.



**4.65** This primary school is run by the Catholic Church in the town of Wamena, the largest urban centre in the Baliem Valley.



4.66 The wires and small circuit box on the post in front of the men's hut in this Dani compound north-west of Wamena indicate that it has an electricity supply.

the development gap between Dani people and wider Indonesian society. Schools equip children with skills of literacy and numeracy that enable them to function in the cash economy and thus gain **employment** for wages or engage in commercial agriculture.

Another significant initiative to close the development gap has been **electricity**. Some Dani grass huts have small **solar panels**, and these are the result of a program introduced by the Indonesian Government in 2015 to give away solar panels to promote their use. The solar panels became quite popular as Dani people learned the advantages of having lights in their windowless huts. Today, the panels are no longer given away, but they are sold at a heavily **subsidised** price.

Fewer than 10% of Dani homes have non-solar electricity; it is restricted to those homes that are

located beside a major road. However, an increasing number of Dani homes are now connected to the outside world by **television**, and even more have access to outside **music** such as Western pop, Indonesian pop, reggae and the blues on CD players or on USB sticks.

Many Dani people obtain their music on USB sticks by taking a blank thumb drive to one of several shops in Wamena, where the music is downloaded to the USB. Although this brings the cultures of the world into Dani homes, it has resulted in many younger Dani not learning the traditional songs that have helped to bind together Dani **culture** for centuries. Furthermore, the USB sticks are often used for **pornography**, and this has become such a problem in the Baliem Valley that some families are splitting up, and it is blamed for a new trend in widespread sexual promiscuity that has made the Baliem Valley a high-risk region for **HIV**.

This trend has been exacerbated by the increasing use of **mobile phones**. Most Dani people now have a mobile phone, even if they live in an area without mobile phone coverage. The phones are cheap, and are used to connect with other people's mobile phones via Bluetooth to copy movies and pornography.

In order to buy mobile phones, CD players, televisions, motor bikes and western clothes, Dani people have had to enter the **cash economy**, something that very few Dani could be involved with before they received education in schools. Today, about half the food grown by Dani people is for subsistence consumption, with the other half



4.67 Foreign music, and especially reggae, is changing traditional Dani tastes in entertainment. This motorcycle passenger is sharing his admiration for Bob Marley.



4.68 As more Dani people become involved in the cash economy, such as by selling the vegetables they grow, the development gap between them and other groups is reduced.



**4.69** Women load freight onto the roof of a small van for sale at the market.



**4.71** Everything used in the Baliem Valley that is not produced locally comes by air freight. Return flights from Wamena to the coast increasingly carry goods produced and sold by the Dani.



**4.70** Men and boys travel on the roof of a minibus with the produce from their garden that they intend to sell in the market in Wamena.



**4.72** Dani arts and crafts on sale in souvenir shops in the coastal city of Jayapura. Unlike the Baliem Valley, Jayapura is visited by many tourists, traders and business executives.

being for **commercial sale**. Indeed, these days, the Dani send their produce to the market in motorised **vans** and **minibuses**, a strong contrast with the practice as recently as 2005 when almost all of the produce was carried by women to the market, often over distances of 20 to 30 kilometres. Nowadays, some Dani are even exporting their produce to Jayapura by **air freight**, using agents in Wamena. Although many of these agents are Javanese, Sumatran or Sulawesi, an increasing number are Dani traders. As further evidence of the commercialisation of Dani farming, about 30% of the women selling produce in the markets these days are re-sellers (the remaining 70% being the farmers themselves).

The Dani have **diversified** their farming produce to cater for the commercial market. For example, some Dani are now raising goats for sale to

Muslims who do not eat pork. The Dani **diet** has also changed from its traditional reliance on sweet potatoes, occasionally supplemented by pork. These days, for example, Dani people eat chicken curry in Indonesian restaurants in Wamena, and may even cook such dishes in their compound at home. Consequently, not all cooking is done using hot stones underground these days; it is estimated that 70% of cooking is still done using traditional methods, but 30% is now done inside the kitchen huts.

Despite the commercialisation of Dani economic activities, most Dani people remain very poor and the **development gap** remains substantial. Very few Dani people have bank accounts, and the common practice is to spend money almost as soon as it is received. It is estimated that about 60% of all Dani income is spent on ceremonies and ceremonial



**4.73** As Dani people get access to cash by becoming involved in the cash economy, motor cycles become an increasingly common form of transport, substantially increasing their mobility.

obligations. The killing of pigs makes up a large proportion of this expenditure, as the pig remains the most esteemed possession that Dani families own. The price of a large pig is about 15 million to 20 million rupiah (about US\$1,000 to US\$1,500), while a small pig might cost between two and five million rupiah (US\$150 to \$375).

Despite the cost, pigs are eaten more frequently these days, and this has improved the **quality of the Dani diet**, which was historically protein-deficient. Traditionally, on the rare occasions when pig meat was consumed, men ate first and the women and small children received the scraps. Increasingly, the message of the Christian churches that **gender inequality** is inconsistent with Christianity is taking root, so women are now getting more than the left-overs when a pig is eaten.



**4.74** The roof decorations seen here in Wouma are compulsory on all shops in towns in the Baliem Valley. The decorations are required by the Indonesian Government as a way to raise Dani self-esteem, as the decorations are meant to symbolise the design of traditional Dani huts.

### QUESTION BANK 4D

1. Outline the ways in which Islam views males and females as different but equal.
2. In your opinion, is affirmative action needed to empower women in countries where Islam is the dominant religion? Explain your answer, giving reasons and factual information to support your position.
3. Describe the rules and restrictions that governed the lives of Chinese women before 1949.
4. Outline the affirmative action undertaken in China since 1949 to improve the position of women. How successful have these actions been?
5. Explain why the Dani people are a disadvantaged group and experience a development gap within wider Indonesian society.
6. Describe the affirmative action taken by the Christian missionaries to improve the lives of Dani people, and evaluate the effectiveness of these actions.
7. Describe the affirmative action taken by the Indonesian government to improve the lives of Dani people, and evaluate the effectiveness of these actions.
8. Choose one of the three examples of affirmative action described in this section (women in Muslim countries, women in China, and the Dani people of West Papua). For the example you have chosen, describe (a) the narrowing of their development gap over time, (b) the state of their development gap today, and (c) the affirmative action you would recommend to improve their situation.

### Social entrepreneurship

In recent years, **social entrepreneurship** has become an increasingly important means to improve human development and people's livelihoods. The term social entrepreneurship can be defined as starting or conducting a business in ways that focus on its benefits to society rather than pure profits. The benefits to society may address either **environmental** or **human development** issues (such as health care, housing, education, poverty reduction, nutritional improvements, employment generation or community development), or a combination of the two. The **measure of success** of a social entrepreneurship project is the extent to which it improves human development or environmental quality, and they invariably strive for high ethical standards, creativity in seeking new fields to make improvements, and strong engagement with people who are suffering from a development gap.

Most social entrepreneurship projects are **small-scale**, which enables them to retain a focus on community and individual empowerment. Social entrepreneurship has gained momentum in recent years through the use of **social networking** and **activist websites**. These sites have enabled start-up projects to get wide publicity, build networks of collaboration support, and gather funding from disparate sources through crowd funding.

### Microcredit and microfinance organisations

The two terms microcredit and microfinance are often confused and used interchangeably, when they have quite different meanings. **Microcredit** refers to small loans provided to individual poor people in developing countries to enable them to start a business, improve their farm or factory, and thus become or remain self-employed. The aim is to help disadvantaged people overcome historical, spatial and social exclusion by providing finance to people who are unemployed, have bad credit histories or no capital to sustain them. Rather than targeting a country's or a society's lack of economic development, microcredit focuses on individual needs, providing the financial support to help people who would not normally have access to credit or borrowing facilities to establish sustainable entrepreneurial activities.

**Microfinance** is a broader term that refers to the broad spectrum of financial services provided to low-income people. Microcredit is therefore one

type of microfinance. Whereas microcredit refers to small loans at minimal interest rates, microfinance also includes non-credit activities such as savings, pensions, insurance and funds transfer services provided to people in low-income groups. Microfinance has much greater potential to earn profits for the financial institutions than microcredit, as microcredit is more altruistic.

The **potential profits** available through microfinance explain why large, profit-making banks have become involved in microfinance but not microcredit. On the positive side of the equation, microfinance (especially in the form of microcredit) provides **pathways for poor people** to avoid money-lenders and loan-sharks who usually charge exorbitant interest rates and who place debtors in positions of near-slavery if they default on repayments.

The **Grameen Bank** of Bangladesh pioneered the concept and practice of microfinance in the 1980s. The organisation was set up by a philanthropic Bangladeshi economist, Muhammad Yunnas, to assist impoverished rural and village residents such as women, the illiterate, the unemployed and the poor who were unable to obtain loans through established channels. Yunnas believed that **loans** were a better solution to poverty than charitable handouts, understanding that small loans (microcredit) of a few tens of dollars could enable someone to buy a cow, rent machinery or start a small business. Repayments were small but frequent, and the system became self-financing through the low interest rates paid by borrowers.

In Bangladesh, the poorest people were (and are) invariably **women**, so 95% of the microcredit loans given by the Grameen bank go to women. These loans not only help society's poorest people, but help to empower women and narrow the gender gap. By contrast, fewer than 1% of loans from Bangladesh's mainstream banks go to women. None of Grameen Bank's loans carry contracts; everything is based on mutual trust, although the bank does require that borrowers deposit small amounts regularly as insurance against emergencies.

The microcredit system pioneered by the Grameen Bank has **spread** through some 45 developing countries where it is playing a significant role in



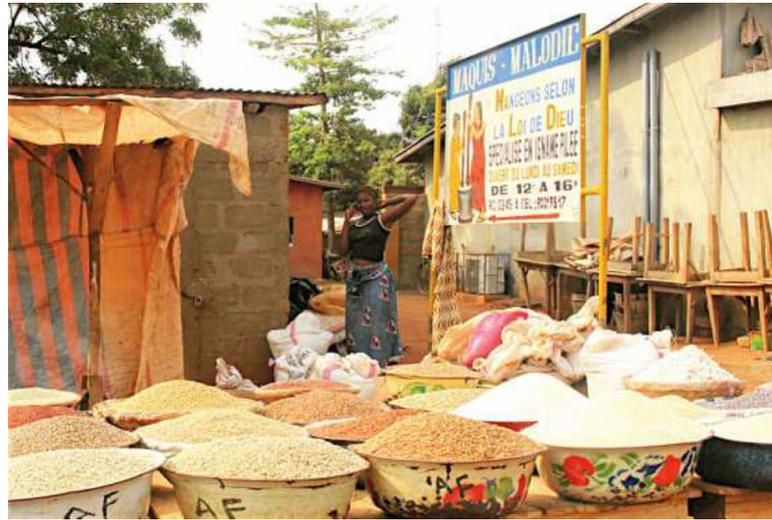
**4.75** This roadside sign near Parakou, Benin, informs local farmers about microcredit. Sponsored by the Canadian Government and Desjardins, a Canadian financial services company, the woman in the cartoon on the sign is thinking "The borrowed money is not a gift, it must be repaid".

addressing rural poverty and women's disempowerment. Most **microfinance institutions** (MFIs) give priority to particular groups who are excluded from other sources of finance (especially women), and they often lend to local groups that have been recommended by other borrowers who agree to cover payments if the proposed borrower defaults. This system means that **almost no borrower defaults** on a loan because to do so would embarrass their family or friends who recommended them to the MFI; the social pressure is simply too great. Exceptions to the effectiveness of this arrangement can occur in **crop growing areas** because a crop failure caused by the weather for one farmer will probably coincide with crop failures for every farmer in the region. For this reason, most MFIs limit the extent of microcredit offered in crop-growing areas.

Examples of **microfinance institutions** that are extending microcredit to poor people in developing countries besides the Grameen Bank in Bangladesh include the National Bank for Agriculture and Rural Development (NABARD) in India, Fundacion para el Desarrollo Empresarial y Agricola (FUNDEA) in Guatemala, the Banco Occidental de Descuento (BOD) in Venezuela, Caja los Andes in Bolivia, the Cambodia Microfinance Association. Many **international aid organisations** such as Catholic Relief Services, Compassion International, Oxfam and World Vision also offer microcredit.

As microcredit has expanded into the **wider field** of microfinance, concerns have grown as some banks and financial institutions have been accused of **profiteering** from the world's most vulnerable people, **credit-baiting** people who have little access to finance while charging interest rates akin to loan sharks. This resulted in street protests in Nicaragua in 2009 to complain about the behaviour of MFIs, and in 2010, the state government of Andhra Pradesh imposed tough new regulations on MFIs after 35 people had committed suicide after being harassed by microfinance debt collectors. There have also been reports that women who have obtained loans through MFIs have exploited their children by forcing them to work in enterprises they have established, and even putting them in competition with each other.

When people refer to **microcredit**, it implies the **non-profit** approach pioneered by the Grameen



**4.76** This woman in Bohicon, Benin, has received a microcredit loan to open her small restaurant, named Maquis Malodie, in the concrete block building shown here. Her sign, which points towards the entrance, reads "Eat according to the law of God. Specialises in crushed yam. Open from Monday to Saturday".



**4.77** A Dani woman walks past an Indonesian Government office in Hetigima that arranges microcredit for local people.

Bank, but when **microfinance** is discussed, it usually refers to **for-profit** activities by the financial services industry. Many large, global banks such as Citibank, HSBS and Deutsche Bank have become involved in microfinance, which they see as a new and profitable line of business. This raises concerns among development activists who worry that financial institutions will use the positive reputation of microcredit to trap impoverished and poorly educated people into microfinance arrangements that could perpetuate chronic, ongoing financial debt.

### Alternative trading networks

In recent years, a dichotomy has arisen between **free trade** and **fair trade**. Proponents of neoliberal globalisation advocate free trade, which is

international trade conducted without government interventions such as tariffs, subsidies, quotas, barriers or other restrictions. They argue that **free trade** allows the market mechanism to determine which countries will produce which goods, and that the result of this sorting process is that the most efficient, low-cost producers will emerge victorious. Consequently, every country will produce the goods most suited to its location and resource base, and the cost of goods to consumers will be kept low because of the economic forces acting on competing producers.

Critics of neoliberal globalisation argue that the negative social and financial impacts of free trade on developing countries and poor people within them are so great that free trade is a **flawed system**. They point to the growing development gap between rich and poor countries, and the growing income gap between rich and poor people within many countries – both developed and developing – across the world. They also point to negative consequences of free trade and neoliberal globalisation in general such as climate change, downward harmonisation of wages and conditions, destruction of indigenous cultures, and erosion of workers' civil liberties by transnational corporations.

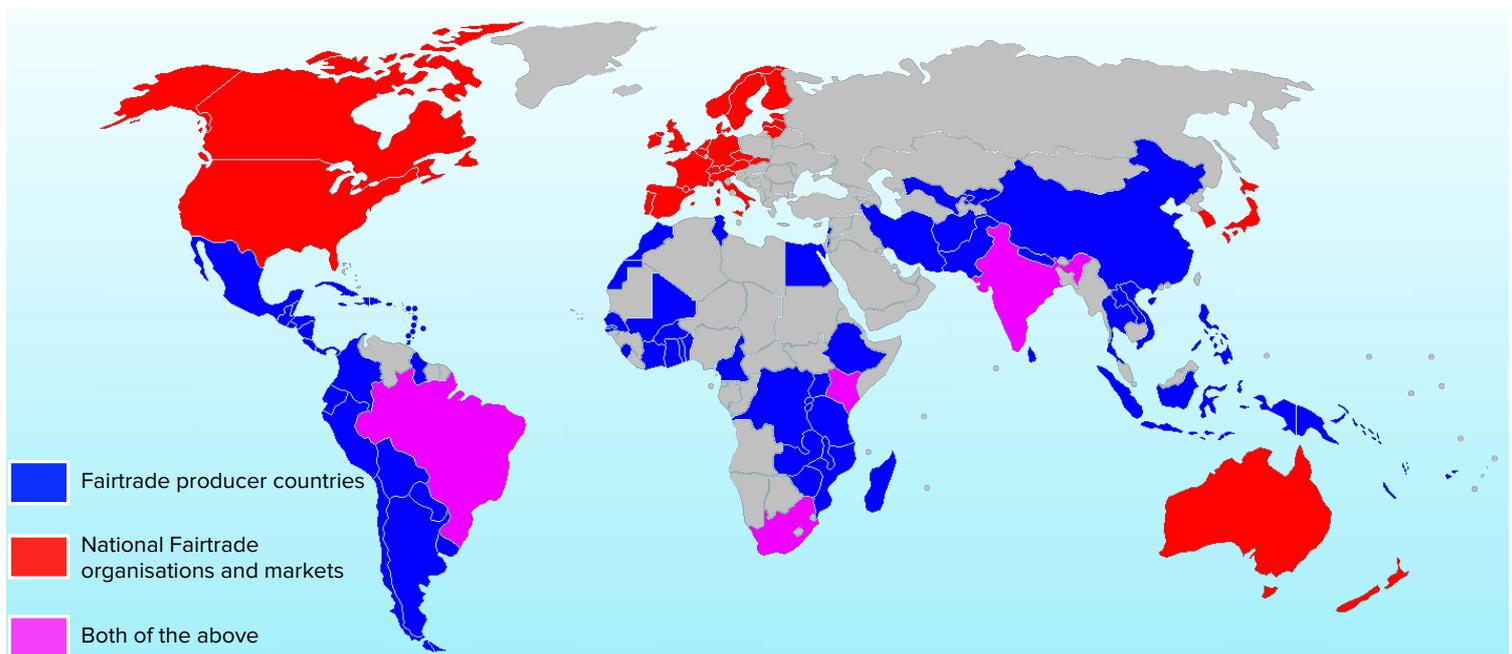
The social movement against Globalisation is known as **alter-globalisation**, people who oppose Globalisation are **alter-globalists**, and people who work actively to promote alternatives to neoliberal globalisation are **alter-globalisation activists**.

Alter-globalists advocate **fair trade** as an alternative to free trade. Fair trade is a progressive movement that aims to provide a higher economic return and better living conditions to commodity producers in developing countries than unregulated free trade is capable of returning. Fair trade emphasises ethical trading practices, environmentally sustainable production methods, and prices that are set to improve the living conditions of producers rather than being set as low as possible by market forces.

Fair trade focuses on **commodity production** such as coffee, cocoa, olive oil, bananas, sugar and chocolate, together with **low-technology products** such as handicrafts and clothing, following **four principles**:

- **producers** should be empowered.
- **consumers** should have the option to buy goods that reflect their priorities, such as knowing their purchases have been produced ethically and sustainably while also improving the livelihoods of poor people in developing countries.
- free trade promotes unequal distribution of wealth between people and countries, and so an **alternative trading system** can reverse this trend.
- buying products from producers in developing countries at a fair price is a more efficient way to promote **sustainable development** than traditional charity and aid.

Fair trade takes **two different forms**, upward harmonisation and fair trade through free trade.



4.78 World distribution of the Fairtrade International trading network.

**Upward harmonisation** refers to attempts to raise the quality of life of people in developing countries so their conditions and wages are closer to those enjoyed by people in wealthier societies. Upward harmonisation can also be thought of as resisting and reversing the 'race to the bottom' pressures that free trade imposes on producers in poor countries as they compete against each other to sell their goods to traders and transnational corporations. Upward harmonisation includes increasing **payments** to producers above market levels, **protecting** workers from sweatshop conditions, outlawing **child labour**, allowing **trade unions**, reducing harmful **environmental impacts** and protecting the **health** of workers at every step of the supply chain.

Upward harmonisation is often driven by pressures from **consumers** in developed countries. Socially aware consumers in developed countries are

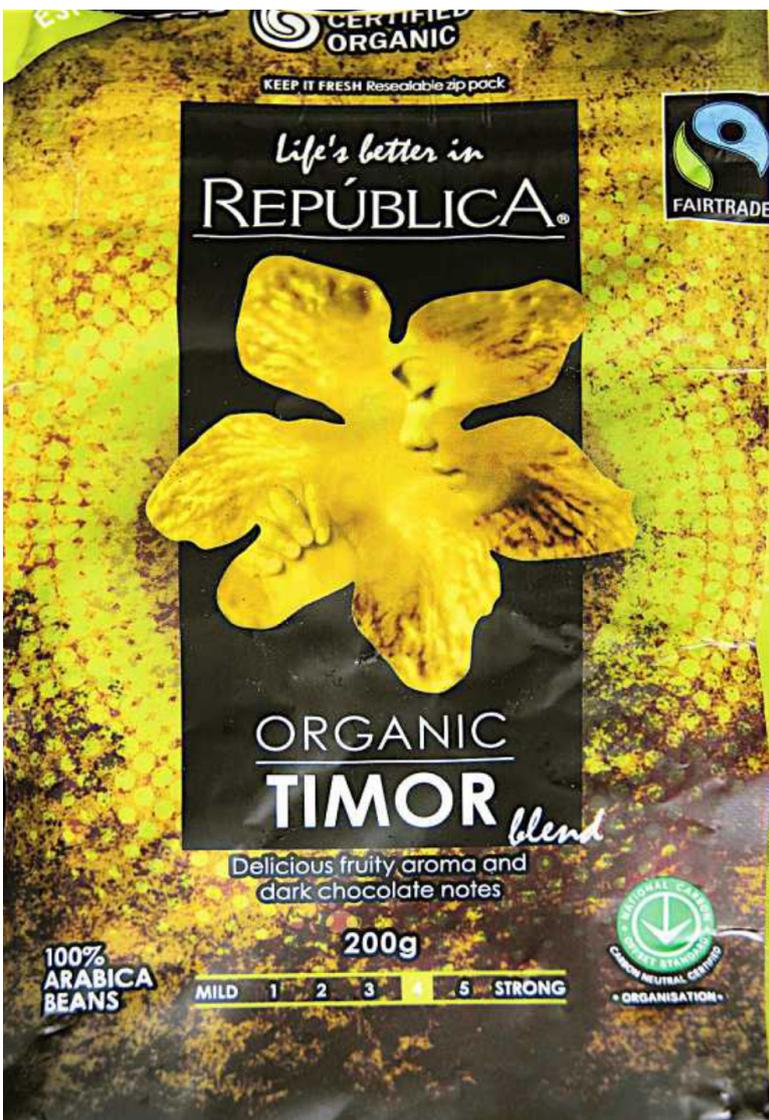
increasingly wanting to support the principle of fair trade, and this has led to **certification schemes** to verify the authenticity of goods that claim to be produced under fair trade principles. Following a set of approved common guidelines, **fair trade certifiers** include Fairtrade International, Fair Trade USA, and Make Trade Fair (a division of Oxfam). Goods that have been produced in accordance with fair trade guidelines are permitted to use registered logos, and these can become a powerful tool for consumers to exercise their buying power to support fair trade. This works reasonably well for selling packaged goods such as chocolate, coffee and olive oil, despite their higher prices, but it is more difficult to put branding on bulk commodities such as wheat, soya, rice and corn.

**Fair trade through free trade** is a movement by the governments of developing countries such as India and Brazil to get developed trading partners such as the United States and the European Union which claim to be committed to free trade to reduce the subsidies that they continue to impose on imported goods. This movement is not really an alternative trading movement, but rather an appeal for developed countries to put into practice the ideals of neoliberal globalisation that they espouse.

Fair trade has brought **benefits** to producers in developing countries that include economic empowerment, capacity building through improved information and support services, reducing the gender gap and introducing more environmentally sustainable production techniques.

**Problems** of fair trade focus on doubts about its long-term sustainability. Fair trade prices are set above normal market prices, and this can lead to an over-supply by enthusiastic producers that exceeds the capacity of buyers to absorb the production. This has led to stockpiles of produce that cannot be sold, and must often be dumped without any financial return to the producer.

Another problem arises because the costs and profit margins on products such as fair trade coffee are quite high, but most of the price premium is being taken by **intermediate traders** rather than the producers that the high prices are intended to assist. Fair trade coffee is more expensive because the small quantities produced mean the economies



4.79 Organic coffee displaying the registered blue, green and black Fairtrade International logo to verify the coffee was grown according to fair trade principles.

of scale enjoyed by large coffee growers are not possible. Furthermore, there are significant costs for producers who wish to become certified as fair trade producers, for the fair trade membership fees, for advertising and campaigning. Of the premium prices that consumers pay for fair trade coffee, only about 40% passes through to the producers.

### TNC corporate social responsibility

**Corporate social responsibility (CSR)** refers to the attitudes and programs of companies when they take responsibility for their actions that affect people and the environment. When the concept of CSR emerged in the 1980s, it often referred to **philanthropic giving** by corporations, or their simple **compliance with the law**. The expectations of CSR are now considerably greater, and include a wide range of **altruistic initiatives** undertaken by corporations of their own volition.

Because of their large size and wide influence, **transnational corporations** have great potential to help or harm the environment, and to improve or destroy the livelihoods of millions of people. At its best, corporate social responsibility can play a huge role in promoting **human development** and **environmental sustainability**, especially when it is

expressed to reflect the ideals and objectives laid out in the United Nations **Sustainable Development Goals**.

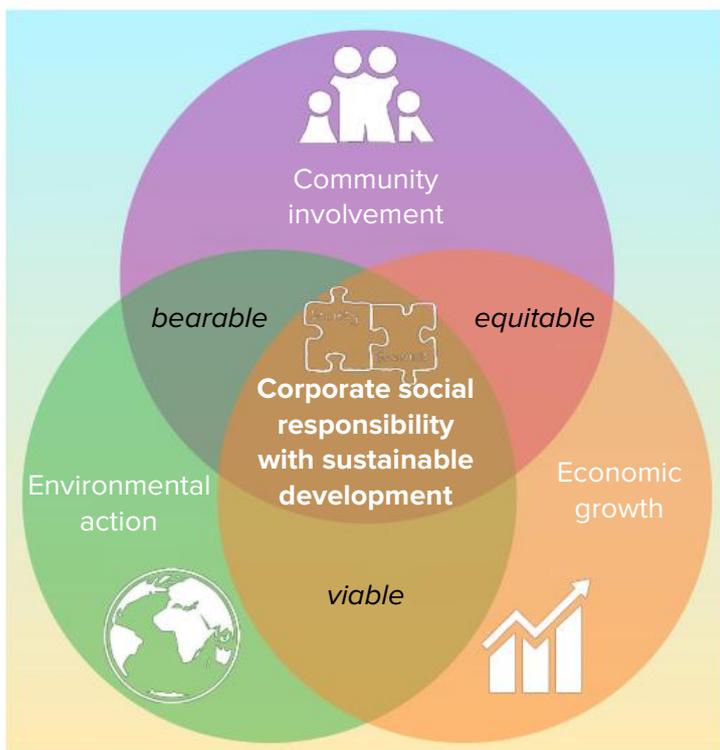
On the other hand, some transnational corporations behave as though CSR is an unavoidable **expense** or a tool to **manage crises** such as oil spills, explosions or other events where deaths or injuries have occurred. Transnational corporate social responsibility is an entirely **voluntary system**, which leaves its implementation completely in the hands of TNCs. Therefore, global organisations such as the United Nations, World Health Organisation or International Labour Organisation have **no power** to direct corporate social responsibility actions by TNCs beyond simple compliance with the law.

Nonetheless, many TNCs are recognising the benefits of CSR in promoting their **public image** and **avoiding consumer boycotts**. Apple is an example of this approach as they have insisted that the **working circumstances** in their sub-contractors' factories in China be improved to raise wages and conditions, and they have introduced **recycling** programs to reduce the flow of toxic wastes from disused mobile phones and computers.

Other TNCs implement CSR as an expression of genuine altruism. One example is Schlumberger, a huge Dutch-French TNC that operates in 85 countries as the world's largest oilfield services company. Schlumberger has established its own charitable foundation with the priorities of advancing science through grants so that needy schools can develop their facilities, and to provide scholarships to students from developing countries so they can get access to education that would otherwise be beyond their means.

TNCs now make CSR reporting an integral part of their reporting and communications, and table 4.3 shows the performance of some major corporations in the area of **environmentally sustainable corporate social responsibility**.

Furthermore, some transnational corporations are choosing to enter into **international framework agreements (IFAs)** with trade union organisations in an effort to protect their employees' conditions in a non-adversarial manner. IFAs are not as detailed as treaties, but they are more detailed than statements of principle and, unlike voluntary codes



**4.80** Corporate social responsibility involves linking the three elements of community involvement, environmental action and economic growth. While linking any two elements brings some benefits, as shown by the black italics, it is only when all three are linked that sustainable development is possible.

# Chapter 4 - Development opportunities

Table 4.3

Large companies and their environmentally sustainable corporate social responsibility, 2019

Company	Country	Rank	Industry	Energy productivity	Carbon productivity	Water productivity	Waste productivity	Women senior executives	Overall CSR score
<b>TOP 10 GLOBAL CORPORATIONS FOR CORPORATE SOCIAL RESPONSIBILITY</b>									
Chr. Hansen Holding A/S	Denmark	1	Food and chemical agents	85%	81%	68%	81%	17%	82.99%
Kering SA	France	2	Apparel and accessories	85%	73%	66%	47%	82%	81.55%
Neste Corporation	Finland	3	Petroleum refineries	74%	85%	95%	38%	53%	80.92%
Ørsted	Denmark	4	Wholesale power	69%	56%	73%	82%	32%	80.13%
GlaxoSmithKline PLC	United Kingdom	5	Biopharmaceuticals	41%	19%	0%	24%	71%	79.41%
Prologis Inc	United States	6	Real Estate Investment Trusts	85%	92%	0%	67%	43%	72.12%
Umicore	Belgium	7	Primary metals products	92%	93%	90%	58%	32%	79.05%
Banco do Brasil SA	Brazil	8	Banks	99%	97%	67%	77%	3%	78.15%
Shinhan Financial Group Co.	South Korea	9	Banks	88%	77%	96%	72%	4%	77.75%
Taiwan Semiconductor	Taiwan	10	Semiconductor equipment	21%	29%	32%	60%	56%	77.71%
<b>SELECTED GLOBAL CORPORATIONS FROM THE TOP 100 RANKED ACCORDING TO CORPORATE SOCIAL RESPONSIBILITY</b>									
Cisco Systems Inc	United States	14	Communications equipment	89%	12%	71%	75%	94%	76.12%
Ericsson	Sweden	21	Communications equipment	63%	60%	0%	2%	93%	74.92%
Siemens AG	Germany	28	Industrial conglomerates	100%	89%	62%	85%	67%	71.35%
Dassault Systems SA	France	38	Software	56%	55%	83%	51%	56%	69.10%
Suncor Energy Inc	Canada	44	Integrated oil and gas	4%	12%	37%	4%	20%	67.04%
Alphabet Inc	United States	52	Internet and data services	100%	0%	0%	0%	82%	65.56%
Bank of America Corp	United States	63	Banks	71%	12%	4%	5%	56%	62.40%
Unilever PLC	United Kingdom	65	Personal care and cleaning	0%	34%	0%	0%	81%	61.89%
Tesla Inc	United States	69	Consumer vehicles and parts	0%	0%	0%	75%	62%	61.28%
Westpac Banking Corp.	Australia	71	Banks	53%	33%	54%	46%	88%	60.12%
Adidas AG	Germany	84	Apparel and accessories	93%	89%	93%	73%	45%	54.20%
Toyota Motor Corp.	Japan	95	Consumer vehicles and parts	49%	54%	70%	0%	0%	43.58%
Bayerische Motoren Werke	Germany	99	Consumer vehicles and parts	79%	65%	86%	76%	20%	39.96%
Panasonic Corporation	Japan	100	Computer hardware	9%	39%	50%	38%	2%	38.46%

Source: Corporate Knights 2019 Global 100 Most Sustainable Corporations in the World index. Note that these figures and rankings vary considerably from year to year.

of conduct that are sometimes developed by the legal offices of TNCs, they are **binding** upon the parties than sign them. IFAs are the outcome of negotiations between TNCs and labour organisations, and they commit both sides – the

TNC and the labour force – to work together to **improve the welfare** of the employees.

In the absence of binding laws to regulate the treatment of workers and the environment by **uniform international standards**, IFAs provide a



**4.81** As part of its corporate social responsibility, the large TNC Schlumberger formed a foundation to provide scholarships to talented but needy students from developing countries. The students have attended a number of schools around the world, including this international school near Pune, India.

way for TNCs to demonstrate their commitment to corporate social responsibility, not only with words but by actions. Although only a hundred or so IFAs have been established so far, they have proven to be an effective means of improving the **wages and conditions** of workers in developing countries, in part because the process of direct negotiation invariably brings the **workers' perspectives** to the attention of TNC management.

Most of the IFAs negotiated to date have been between **European-based TNCs** and unions; very few US or Japanese-based TNCs have become involved. This may indicate a higher level of corporate social responsibility among European TNCs than those based elsewhere, but it also reflects the European culture of discussion and negotiation – **dialogue** – that is not as well developed in other industrialised regions of the world. There is more **hostility** towards labour unions in the United States than in Europe, and so US-based TNCs are more likely to exclude unions than embrace them in dialogue. Furthermore, even within the United States, many workers do not have access to the same level of health care, job security, retirement pensions and other benefits that are enjoyed by European workers, so it is perhaps understandable that US-based TNCs would be less enthusiastic about negotiating such benefits for their employees in developing countries by entering into an IFA.

IFAs are **most effective** when:

- they apply to every part of a company, including its related divisions and entities;
- they explicitly include recognised international labour standards, such as those specified by the International Labour Organisation;
- they are implemented effectively; and
- they are effectively enforced.

### QUESTION BANK 4E

1. What is meant by the term 'social entrepreneurship'?
2. What are the aims and priorities of social entrepreneurship?
3. Explain the difference between microcredit and microfinance.
4. Describe the contribution of the Grameen Bank in Bangladesh.
5. How does microcredit improve human development?
6. What are the potential problems and shortcomings of microfinance?
7. Explain the difference between free trade and fair trade.
8. Why do alter-globalists advocate fair trade?
9. Outline the four principles that underpin fair trade.
10. What is upward harmonisation, and how is it influenced by fair trade?
11. Explain why 'fair trade through free trade' is more of a neoliberal strategy than an alternative trading network.
12. Describe the potential problems and shortcomings of fair trade.
13. With reference to figure 4.80, describe the concept of corporate social responsibility.
14. Why do some TNCs engage in CSR?
15. Every TNC listed in table 4.3 is among the top 100 companies in the world in terms of sustainable corporate social responsibility. Choose one TNC from the list of companies, and say how that TNC's CSR could be improved even further.
16. What are international framework agreements (IFAs)? How do they work, and how effective are they in improving human development?



**5.1** Culture contact invariably leads to changing identities for the people involved. In this view, an officer from Sumatra speaks with women of the Dani tribe in Hukuluak village, West Papua, which is the Indonesian western half of the island of New Guinea.

## Cultural traits, ethnicities and identities

The word '**culture**' has been so widely used and mis-used that it seems nearly everyone claims to know vaguely what it means without being to articulate a clear definition in words. For the geographer, culture can be **defined** as the ways of thinking and acting that make a group of people distinct from other groups. Culture includes the way people make sense of the world, their beliefs, the meanings they attach to objects and events, and how their worldview is expressed.

Most people usually identify with the culture (or several cultures) to which they belong. On the other hand, some people may feel alienated from aspects of their culture that they do not fully understand or to which they cannot agree or identify. Cultures can **vary in scale** from a small community to a world-wide religion or ethnic group, through groupings of various scales such as religious sects, linguistic groups, and nations.

Culture can be **expressed** in a myriad of ways, including music, dress, language, customs, faith, beliefs, architecture, appearance, worship, traditions, dance, technology, art, innovation,



5.2 Descendants of Tawantinsuyu (Inca) people celebrate their culture and identity with a parade through the streets of Cusco, Peru. The rainbow banners are the official flags of Cusco, designed to recognise traditional Tawantinsuyu culture.

images, patriotism, thinking, food and diet, festivals, as well as attitudes towards women, the aged, minority sub-groupings, the needy, children — the list is almost endless. Each of these individual features of a culture is known as a **cultural trait**. For many indigenous peoples, cultural traits also include spiritual beliefs and myths of origin. It is the **combination** of all cultural traits that **defines a culture**.

Another way we can think of culture is as a framework of **shared meanings** which people who belong to the same community (or group or nation) use to help them interpret and make sense of the world. In other words, a culture is the expression of the assembled components of people's

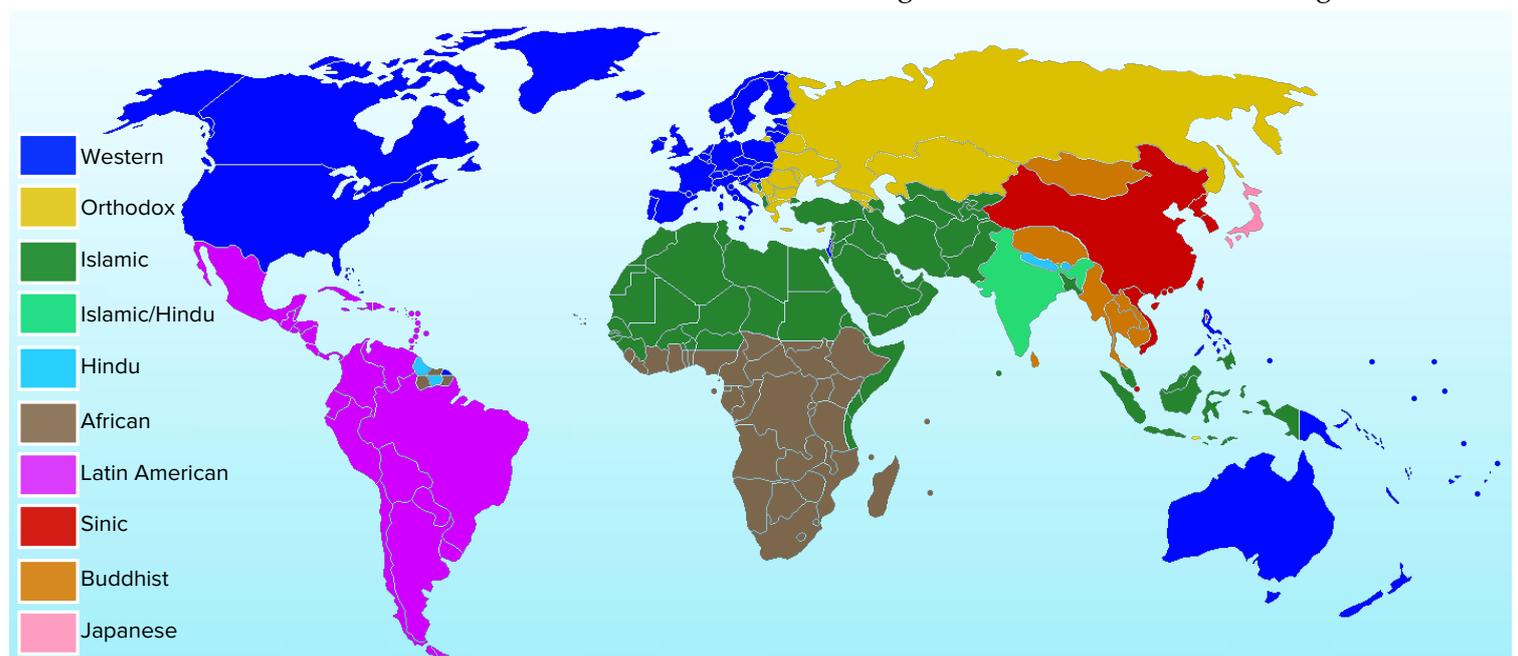
**worldviews**. Culture defines the lifestyle of people, and also their values and beliefs.

We take it for granted that people in different countries have different cultures. As Wood and McManus describe it: *"In India holy men go naked and stand in one position for years, bury themselves in sand or adopt painful postures, permanently distorting their bodies. In Japan, the simple act of pouring a cup of tea has become a ceremony which involves meditating for long periods and gently stirring the tea with a bamboo whisk. In England, wealthy people ride horses at high speed, following a pack of hounds and chasing a small fox, while one of the riders blows a horn."*

### Cultural differentialism

**Cultural differentialism** refers to the enduring differences that exist within and between cultures in the face of the pressures of globalisation, or indeed any external forces, including other cultures. While there may be some evolution or transition occurring, cultural differentialism occurs when the fundamental aspects of the core of a culture remain unaffected by external forces.

Cultural differentialism can be hard to track or measure. During the period when Yugoslavia was a country (1918 to 1992), the cultures of the diverse ethnic groups comprising the federation were largely submerged, only to re-emerge strongly following the breakup into separate republics – Slovenia, Croatia, Serbia, Bosnia-Herzegovina, Montenegro, Kosovo and Macedonia – together



5.3 The distribution of major world civilisations according to Samuel Huntington.

with the ethnic and nationalistic tensions implicit in these cultural differences.

Placing labels on the **global spectrum** of cultural traits, ethnicities and identities is often **controversial**, largely because the way people self-identify may differ from the way outside groups see them. The best-known, but also a contentious description of world cultures was put forward by Samuel Huntington in his 1996 book *The Clash of Civilisations and the Remaking of World Order*.

Huntington argues that since the Cold War, world history has moved away from its centuries-old paradigm in which political conflicts within Western civilisation determined global events. The new paradigm, according to Huntington, is based on **cultural differences** in which non-Western civilisations were no longer exploited by Western civilisations.

To support this theory, Huntington divided the world into a number of ‘**major civilisations**’ as shown in figure 5.3. His classification arose from a range of assumptions based on social relations, underlying values, customs and outlook on life. He argued that these cultural groups have significant barriers that protect them from outside influences, hence the strength of their **cultural differentialism**. Huntington’s classification of cultures has several clear **shortcomings**, including the following:

- By focusing only on what Huntington calls ‘major civilisations’, many **smaller cultures** and **indigenous groups** with strong cultural traditions are **ignored** and **marginalised**.
- The **criteria** for what constitutes a ‘major civilisation’ are unclear, and this results in some **anomalies** such as Japan being classified as a separate culture while all the Melanesian, Micronesian and Polynesian cultures of the South Pacific are incorrectly combined with Western culture.
- The level of **granularity** varies widely, so internal cultural differences within small countries such as Guyana, Suriname, Benin and the Philippines are identified, while the significant cultural differences within large, diverse countries such as China and Russia are ignored.
- The classification of some areas seems **inconsistent** with the cultural groups within the



**5.4** Huntington incorrectly classifies nations in the South Pacific as “Western culture” because he does not see that the vibrant, intact cultures of the region represent a “major civilisation”. In this view, children in Riwo village near Madang in Papua New Guinea hold a ‘sing-sing’ (dance and music) to celebrate their Melanesian culture. The survival of traditional Melanesian culture in the face of colonialism and globalisation is a triumph of cultural differentialism.

country, such as Kazakhstan (which Huntington classifies as Orthodox even though most of its people are Muslim), West Papua (which Huntington includes with the rest of Indonesia as Muslim even though most of its people are Melanesian Christians), and Papua New Guinea (which, as mentioned above, is Melanesian rather than Western).

### Cultural hybridisation, dilution, homogenisation and convergence

It is a common claim that ‘*places everywhere are becoming the same*’. The claim arises from seeing people in many diverse places wearing similar blue jeans, brand-name trainers and drinking cola from a metal can. The claim also arises from the perception that cities around the world are losing their individuality and character, and taking on a uniform anonymous ‘international’ appearance.

**Cultural change** typically takes one of three forms:

- **Cultural hybridisation** is the mixing of cultures and the emergence of new, unique cultures with elements stemming from the foundational cultures.
- **Cultural homogenisation** is the mixing of different cultures that results in a single common global culture. This is also known as **cultural convergence**.



**5.5** The cultures of China and England meet in Hong Kong. Although Hong Kong is now a Special Administrative Region in China, it used to be a British colony. Although Hong Kong's population is overwhelmingly ethnically Chinese, the colonial history is still reflected in some of Hong Kong's architecture, culture, place names and signage. Some commentators claim that Hong Kong now has a hybrid culture that fuses elements from China and Europe.

- **Cultural dilution** is the weakening of a culture that results from contact with other cultures.

In practice, **homogenisation (convergence)** of cultures usually means 'westernisation', or taking on the features of a European or North American outlook. When this occurs in a culture, the worldviews of people change, and this is expressed through people's **behaviours** and even in **landscapes**. Changes in the geography of areas that result from cultural homogenisation refer not only to buildings, but also to the shops and services found in cities around the world. Thus, fast food outlets and brand-name clothing outlets can now be found in many countries around the world, either



**5.6** This restaurant in Moscow (Russia) markets itself in an overtly British way to increase its appeal to young people, for whom 'English' equals 'up-market' or 'modern'.

in their authentic form or in an adapted or 'pirated' form. The inspiration for such shops is more likely to be a western cartoon, television show or corporation than the traditional culture of the country.



**5.7** In this example of cultural hybridisation, traditional wall decorations in Tiébélé village, Burkina Faso, that used to feature only snakes, turtles and lizards have been expanded to show motor cars.



**5.8** In Bonwire village, near Kumasi, Ghana, traditional long strips of printed material called *kente* now feature images of Western leaders, such as former US President Barack Obama. This is another example of cultural hybridisation.

The study of geography first began because people were fascinated by the differences between places and the desire to explain those differences. The homogenisation of landscapes **dilutes** these differences, although it does **not eliminate** them. Because of the interaction between cultures, there is no longer a clear and simple correlation between culture and place. In today's world, there are very few 'pure', untainted cultures remaining, and it seems likely that this process will continue into the foreseeable future. Rather than remaining resistant

to change, most cultures in the world today are open to change (willingly or otherwise), leading to **hybridisation** and **homogenisation**.

When culture contacts occur, they are often caused by the actions of powerful **international corporations** or **media interests**. In both cases, a common outcome is that the economies of developing countries become more dependent on the developed world and integrated with the neoliberal global economic system.

When **television programs** made in one country are beamed into other countries with different cultural priorities, the values portrayed often have a great impact on the population. Values that are taken for granted by children in the United States may be culturally challenging to a child in China, India, Tanzania, or even in Australia or Canada.

However, because American culture is perceived in many countries as the road to wealth and affluence, these values can sometimes be accepted somewhat uncritically.

The **imposition** of other cultures is often sustained through **advertising** which supports foreign investment and economic activity. Such advertising usually has one of two aims. One possibility is to portray a foreign product as **part of the local culture** in the hope that this will speed up acceptance of it. Such advertising aims to achieve the objective of children in Japan and Dubai perceiving McDonald's as being Japanese or Arab.

The second possibility is to achieve the opposite of portraying a product as part of the local culture. Sometimes, it is the **exotic foreign nature** of a product that is highlighted in the hope that people will embrace this as an improvement over what they have traditionally used. An example of this is the advertising by transnational corporations promoting the use of infant feeding formulas or packaged foods in developing countries. The desire by young mothers to be 'modern' has led many to abandon breastfeeding, leading to poorer nutrition of infants and sometimes fatal infections arising from unsanitary water or poor hygiene.

Where either of the two aims of advertising are followed, local people's perception of their own culture is challenged, diminished or modified in a way that encourages another foreign culture to emerge in a more dominant position. This is one way that cultural dilution can occur.



**5.9** Advertising for the US television show, *Homeland*, in Bobo-Dioulasso, Burkina Faso. A major theme of *Homeland* is to dramatise the conflict between Islamic militants and the United States, a potentially confronting theme for viewers in this Muslim country.

When one culture is **imposed** upon another, a process known as **cultural imperialism** is said to occur. Cultural imperialism can be a deliberate, active, formal policy, or it may be nothing more tangible than a general active or passive attitude. For example, when Indigenous Australian people send each other Christmas cards with scenes that feature snowmen and fir trees, or when maps of the world are drawn with Europe in the upper centre, these are commonly regarded as examples of cultural imperialism.

The term 'cultural imperialism' is usually viewed negatively because it implies an **unbalanced power relationship** in which the culture of a stronger or more powerful nation or society suppresses the culture of a smaller or weaker society. Thus,



**5.10** Advertising for Coca-Cola, which is an American product, dominates the streetscape in Tiquina, a small town in the Andes mountains of Bolivia.

powerful Western governments are capable of cultural imperialism that negatively affects people in many developing countries, but almost all the people of these countries lack the power required to exercise cultural imperialism in the opposite direction. Similarly, some observers claim that in today's globalised world, agencies such as the World Bank, the IMF (International Monetary Fund) and the WTO (World Trade Organisation) are also agents of cultural imperialism.



**5.11** An example of cultural imperialism is the proliferation of American businesses in China. Large TNCs have been a factor in changing the appearance of Chinese cities as local planners struggle to balance traditional architecture with the push to emulate streetscapes in the United States.

Because the term 'cultural imperialism' has negative overtones, it is difficult to provide examples of it that people of all persuasions will accept. For example, many Palestinians assert that Israel's policies towards the Palestinian homelands reflect cultural imperialism, but few Israelis would agree. Similarly, many Dani people accuse Indonesia of cultural imperialism in West Papua, but few Indonesians from Java or Sumatra would agree.

With the dominance of **English language** around the world today and the decline of many minority languages, some commentators accuse native speakers of English of cultural imperialism if they refuse to learn and use other languages. English may also be an agent of **cultural imperialism** if it disempowers non-native speakers in important areas of business and commerce.

It is not only landscapes and economies that are becoming more similar, but cultures and attitudes also. In many countries, **hybridisation** of cultures



**5.12** Teaching English as a foreign language has become a huge business in recent years. In this view, a large English language teaching institute in Shanghai (China) advertises its courses, encouraging people to learn English. As English has become the international language of business, some argue that language is a form of cultural imperialism.

is occurring as traditional cultures take on values and aspects of other cultures with which they have come into contact. In some countries, traditional cultures are sustained mainly through the economic value of tourism.

One aspect of culture that is becoming more uniform as a result of globalisation is **music**. Modern western music is associated with progress and anti-establishmentism in the minds of many young people, and at times rebellion. This has led to the wide acceptance of modern music around the world. Furthermore, it has led many bands and musicians to try and copy the Western or international style, abandoning their own cultural traditions. In some cases, musicians have tried to combine their indigenous sounds with western music, and this results in hybridisation and dilution of traditional cultures rather than their abandonment.

A geographer, David Harvey, attempted to give **reasons** for the **cultural homogenisation** that is occurring in the world today. Harvey argued that because **business interests** are competitive by nature, investors are constantly searching for new places where a profit can be made more rapidly than elsewhere. Harvey called this waiting time for a profit the **turnover time of capital**.

Harvey argued that the search for shorter and shorter turnover times of capital is the real cause of the **shrinkage of time-space**. He suggests that this



5.13 A man in Yangon, Myanmar, walks beneath a huge advertisement for music that is anything but traditional. The appeal of western culture is obvious.

shrinkage is quite different from the time-space convergence that was described on pages 106 to 108 in chapter 3. Time-space convergence involves physical travel between two points, but the shortening of the turnover time for capital does not. Therefore, Harvey devised the term **time-space compression** to describe the reduced turnover time for capital.

Marshall McLuhan defined changes in cultures as **detraditionalisation**. Followers of David Harvey

would argue that detradditionalisation is the result of local social practices being overwhelmed by foreign business and economic interests. The electronic media and developments in telecommunications have served to strengthen the power of business interests to impose their ideas and values on traditional cultures.

However, not all geographers agree with Harvey's analysis of corporate power. Some geographers argue that culture contact is **not all one-sided**, and that people from the dominant western culture are being influenced by concepts from other cultures. Examples of this include acceptance of Japanese management practices in many western companies, and the adoption of aspects of eastern religions by youth in developed countries searching for new meaning.

### QUESTION BANK 5A

1. What is meant by the terms (a) cultural trait, and (b) culture?
2. What characteristics can define culture?
3. Outline the evidence that cultures exist at a variety of scales.
4. Define cultural differentialism.
5. With reference to figure 5.3, describe the global distribution of large-scale cultures as identified by Samuel Huntington.
6. Discuss the strengths and weaknesses of the large-scale cultures that Huntington calls 'major civilisations'.
7. Outline the evidence that cultural differentialism is resisting cultural change in some parts of the world, citing examples where possible.
8. Explain the difference between (a) cultural hybridisation, (b) cultural homogenisation, and (c) cultural dilution.
9. "Cultural hybridisation widens the spectrum of cultures in the world, whereas cultural homogenisation narrows the spectrum of cultures in the world". Say whether you agree with this statement or not, and provide reasons.
10. Why is it that cultural convergence often implies westernisation of cultures.
11. Describe the forces that can lead to cultural hybridisation and cultural homogenisation.
12. What is cultural imperialism? Is it a positive or a negative force on cultures?
13. Explain how the concept 'time-space compression' differs from 'time-space convergence'.



5.14 The large advertising photos above this shopping mall in Shenzhen, China, show glamorous foreign women. Chinese feminists believe this represents a demeaning of Chinese women and a form of cultural imperialism that implies foreign ideas are better than local ideas.

14. Give some examples from your own knowledge of ways in which music (a) builds bridges between cultures, and (b) erodes individual cultures.

15. The contact between cultures is often portrayed as a destructive process. How can contact between cultures be constructive instead?

### Effects of global interactions on cultural diversity

#### The diffusion of cultural traits

The following item appeared on a social media website: "A group of American tourists arrived in Italy. 'Amazing!' said one to their tour guide. 'You have pizza here too'. A group of Japanese boy scouts landed in Chicago. 'Amazing!' they told their troop leader. 'They have McDonald's here too'."

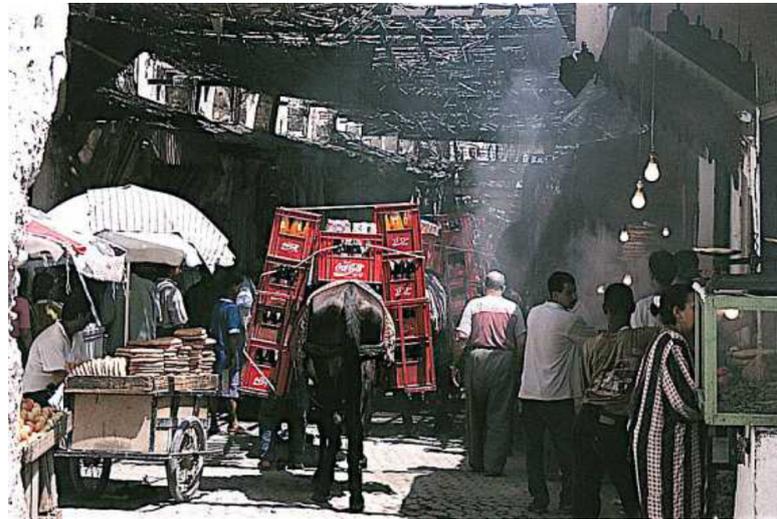


5.15 The McDonald's outlet in Apia, capital of the tiny, isolated Pacific nation of Samoa.

This anecdote tells us a great deal about the **diffusion of culture**. A food that was invented by the Italians – pizza – is now accepted by people in the US and many other countries. Similarly, an American food chain – McDonald's – is now found in so many countries that children who have grown up with it consider it to be 'local' to their own country. And the fact that this anecdote was found on the internet, making it available instantly to anyone with an internet connection anywhere in the world, demonstrates how **quickly** ideas now move around the world.

Globalisation works against the preservation of traditional cultures. Traditions and ways of life that have survived for centuries in various parts of the

world are finding it increasingly difficult to withstand the **pressures of foreign influences**. As the cultural theorist, Stuart Hall commented, "global consumerism ... spreads the same thin cultural film over everything – Big Macs, Coca Cola and Nike trainers everywhere – inviting everyone to take on western consumer identities and obscuring profound differences of history and tradition between cultures".



5.16 Donkeys carry Coca-Cola into the traditional markets of Fez, Morocco.

The speed with which cultural influences move from place to place has never been more **rapid** than it is today. However, the spread of ideas and cultural traits is not a new or recent process. For example, before 1000, the nations and tribes of Europe each had its own distinctive culture, with various languages, dress, architecture and beliefs. Around the year 800, the Serbian general Charlemagne conquered vast areas of Europe, including France, Germany, and parts of Spain and Italy. This led to the concept of 'Europe' emerging for the first time as a common culture based on Christianity and the Latin language spread through the empire.

European culture developed further as something distinctive with its own identity in the 1100s and 1200s when Christian Europe and the Islamic Middle East and North Africa came into conflict. This was perhaps the **first clash** between two cultures that were larger in scale than individual tribes or nations. Both Christian and Islamic cultural influences spread further over the following centuries and traders and conquerors travelled around the world. Other cultures similarly spread their influence during the 1400s to 1800s, including Arab traders along the east coast of



**5.17** A sign reflecting the spread of both the Christian religion and the English language to Africa – the name of this business is typical of many in Ghana. Other examples may appear humorous to outsiders, such as the Rock of Ages Cement Works and the Only Jesus Can Do It Beauty Salon.



**5.18** Chinese communities have been established in almost every country in the world. This view shows Chinatown in San Francisco, California, USA. Chinese immigration to California began in earnest in the mid-1800s when the gold rush began.

### Africa and the Chinese through South-East Asia and elsewhere.

In past centuries, **cultural diffusion** has occurred through a series of processes:

- **exploration** by traders of areas around the world that were unknown to those people at the time;
- establishment of **trading** links in areas that produced goods different from the home areas;
- **investment** in new areas by traders, and a return of profits to the investors;
- expansion of production of **raw materials**, commodities and food in the new areas where investment has occurred;
- **conquest** and **colonisation** by the trading power, imposing new systems of government and culture on local cultures; and
- **migration** of colonists to new colonies, bringing further cultural impact to colonial areas.

In general, these processes were undertaken by people from **European countries** who established colonies overseas, usually in Africa, Asia, South America and Oceania. Occasionally, similar processes were followed by other cultural groups, notably **Chinese and Arab traders**, although these groups did not conquer and colonise to the same extent as the Europeans.

Traders and colonists exported the culture of their home societies into the areas where they travelled.

This influence still shows today in the **buildings** found in many parts of the world. However, the cultural influences also show in less visible ways such as the **religion, language, legal systems and education** found in many former colonies and trading areas. The result was often to suppress, or at least have an impact on, local cultures. In this way, the colonies and trading areas became contact zones that marked the 'frontier' of the expansion of one culture into a new area.

The process of cultural diffusion continues today at an **accelerating rate**. Today, colonisation is relatively less important than trade in promoting cultural diffusion. Colonisation does continue to play an important role in cultural diffusion, and notable examples include Indonesian influence in West Papua, Chinese influence in Tibet, and until 1989, Russian influence in Eastern Europe.

Although **tourism** and **migrant workers** are often sources of cultural diffusion, **trade** is probably the main agent of cultural diffusion. However, it is important to understand that the nature of today's trade is quite different from trade in the 1800s. Today, trade includes **foreign investment, advertising** and commercial **media** broadcasts which transfer cultural influences with **great speed** and strength. Cultural diffusion has now occurred to such a great extent that many people claim that 'places are all becoming the same' (homogenised).

It is important to understand that cultural diffusion can occur in two ways. First, in **expansion diffusion**, an idea develops or exists in a source



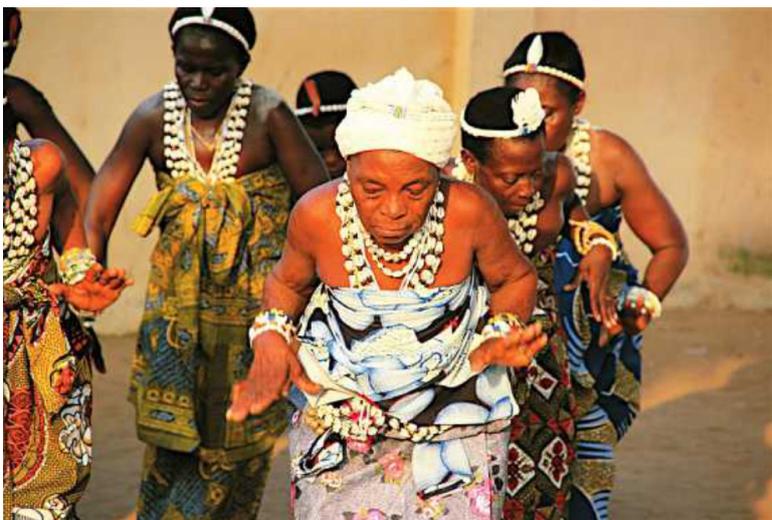
**5.19** This building in Hanoi, Vietnam, shows two periods of cultural diffusion. The building is in European style, having been built by the French during colonial times. The posters show a more recent cultural infusion — socialism — which originated in Europe and spread to Vietnam through Russia (then the Soviet Union).



**5.21** Christianity began in Bethlehem, but today, more than half the population of Bethlehem are Muslims. The global spread of Christianity is an example of relocation diffusion.

area and then spreads into other areas while remaining strong at the source. For example, Islam developed in the Arabian Peninsula of the Middle East, and spread from there through North Africa, the rest of the Middle East, East Africa and parts of South-East Asia. However, it remained strong in its source area, the Arabian Peninsula, so this is an example of expansion diffusion. Expansion diffusion usually occurs where populations are stable or fixed; it is the idea that moves.

On the other hand, the second type of cultural diffusion is **relocation diffusion**. In this case, people who have adopted a new idea or belief carry it to a new destination. The spread of Christianity



**5.20** A voodoo ceremony in Ouidah, Benin. Voodoo originated in West Africa and spread to the Caribbean (especially Haiti) and Louisiana (USA) when slaves were transported. The spread of voodoo from Africa to the Caribbean is an example of expansion diffusion.



**5.22** An advertisement for Coca-Cola in Sana'a, Yemen. The global spread (widespread diffusion) of this soft drink has been so strong that a slang term for the homogenisation of cultures is 'coca-colonisation'.

from Israel to Europe and then on to Africa, Asia and South America by traders and missionaries would be an example of relocation diffusion. It is possible that an idea transferred by relocation diffusion may lose its original strength in its source area, although this does not always happen. The longer an idea takes and the further it has to travel, the less likely it is to be adopted in new areas; this is known as **time-distance decay**. It explains why cultural diffusion by 'instantaneous' satellite television broadcasts are so powerful, why American speech and slang appear very quickly across the globe, and why 'foreign' products gain rapid acceptance in many other countries.

### Glocalisation of branded commodities and cultural hybridity

As the pressures for cultural homogenisation have intensified, there has been a consequent effect known as **glocalisation**. The word 'glocalisation' combines *globalisation* and *localisation*, and it can be **defined** as the modifying impact of local conditions on global forces.

Glocalisation may be thought of as a balance between forces that lead to homogenisation with forces that preserve diversity or difference. In other words, glocalisation recognises that the homogenising ideas imposed by globalisation are interpreted and absorbed differently according to **local viewpoints and traditions**. Taking the example of the spread of McDonald's restaurants across the world, the global acceptance of fast food can be seen an example of cultural homogenisation, whereas the different menu items available in various countries represents glocalisation.

Glocalisation operates through **three processes**: relativisation, emulation and interpenetration.

- **Relativisation**: As globalisation occurs, there are pressures to align culturally with other parts of the world to aid communication and understanding. Each place in the world evolves in a way that is relative to the places in the world that interact with it. In this way, traditional cultural values tend to become diluted and replaced with what are seen as universal standards and values that flow from a common understanding (or perception) of what it means to be human. Relativisation raises concerns in



**5.23** This teenage girl from the Himba tribe in Namibia dresses in the traditional way, including braiding her hair with a mixture of red ochre, sap and butter, and yet she chooses to demonstrate 'cultural emulation' and be 'modern' by drinking her water from a plastic bottle.

many parts of the world about a loss of traditional values and national identity, because basic foundational beliefs can no longer be assumed. In its most extreme form, **relativism**, there is no such thing as absolute truth, and there is no moral truth that holds for all people. Rather, it is left up to individual judgement to decide what is right and wrong, good and bad.

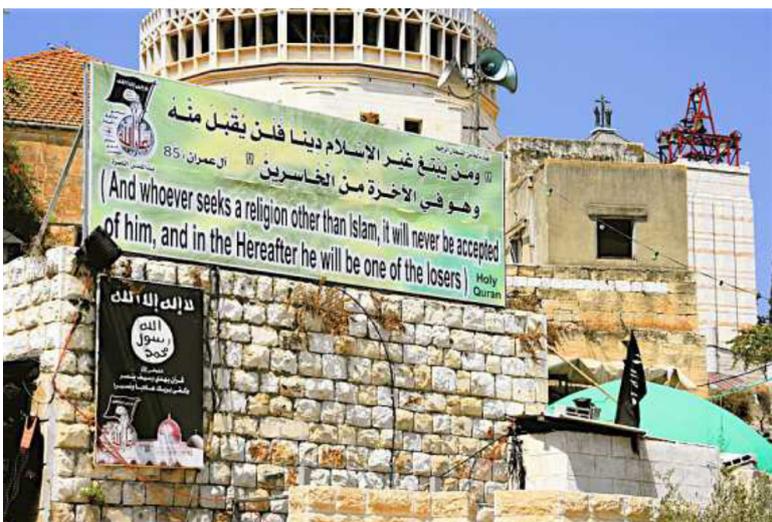
- **Emulation**: The improved flow of information between countries in recent decades has enabled people to compare their values, attitudes and ideas more easily with others than was previously possible. Information flows through the media and the entertainment industry are strong forces in encouraging emulation of other people and cultures. This emulation is often labelled as 'the latest craze' when it is adopted widely by younger people.
- **Interpenetration**: Culture contact is a two-way process, although the movements in each direction may not be of equal strength.

Therefore, cultural homogenisation and cultural diversity are not really opposites, but end-points on the continuum of glocalisation. The extent of glocalisation that occurs will reflect the balance of strength, or persuasiveness, of the ideas that are competing in the conflict of cultures.



**5.24** An example of cultural interpenetration – Yangon's Central Railway Station was built by the British during Myanmar's colonial era. Although essentially a British design, it incorporated Burmese 'temple-top' decoration, reflecting the local culture.

Working against the process of cultural homogenisation is the process of **deglocalisation**. Deglobalisation is the process of deliberately replacing 'world culture' in a country or area with distinctive local cultural traditions. Deglobalisation is sometimes a reaction or organised resistance to the process of globalisation. A contemporary example is the growth of Islamic fundamentalism



**5.25** An example of deglobalisation in the form of deliberate cultural differentialism — Muslims in the Israeli town of Nazareth have erected signs with jihadist imagery around the Church of the Annunciation, which stands on the site where many Christians believe the Angel Gabriel announced to the Virgin Mary that she would conceive and bear the baby Jesus. The speakers above the sign are used to call Muslims to prayer.

in recent years. Some Muslim nations have objected to a model of globalisation that sees all cultural traditions as having equal value, and have advocated a distinctively Islamic worldview as an alternative. When it reinforces traditional cultures in an area, deglobalisation can be thought of as deliberately engineered **cultural differentialism**.

### Adoption vs Adaption of Mass Consumer Culture

When confronted with the impact of a new culture, the choice facing people is whether they should **reject** the new influence, **adopt** it or **adapt** it.

Where people **adopt** a new cultural trait, they take it on board in its entirety, perhaps abandoning some older tradition or belief to do so. In such cases, **cultural dilution** has occurred, possibly together with cultural homogenisation. Where a cultural trait is **adapted**, it is modified in some way, usually so it can be accommodated within the framework of an existing culture or worldview. Such adaptation is an example of **cultural hybridisation**.



**5.26** Worshippers at the Shwedagon Pagoda in Yangon pour water over a small image of Buddha to earn merit. Behind the Buddha image is an image of a guardian nat, an example of cultural adaptation by the Myanmar people.

When Buddhism spread from India into Myanmar, the local people **adapted** it into their traditional belief system. Before Buddhism came to Myanmar, the people believed that spirits called nats inhabited every tree, rock, stream, house and other feature of the landscape. The people adopted Buddhism by making Buddha a supreme nat, enabling them to adopt Buddhism as well as retain their belief in the spirits. Even today, Buddhist

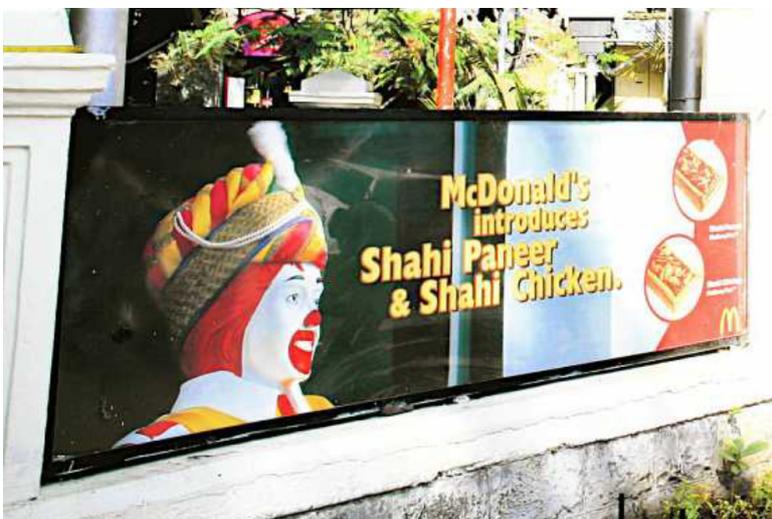
temples and pagodas in Myanmar include important places to pay homage to the nats.

One of the most obvious examples of the global spread of mass consumer culture today is **McDonald's fast food**. It is claimed that a new McDonald's opens somewhere in the world every six hours. Because the foreign, or American, image of McDonald's is attractive to people in many countries, local businesses sometimes copy as much of the name and image as they believe they can get away with; an example of this is shown in figure 5.29. This is a contemporary example of cultural adaptation.

Furthermore, McDonald's itself is a good example of **reverse adaptation**, where mass consumer culture has changed to become more easily accepted by local people. It is possible to buy teriyaki burgers at McDonald's outlets in Japan, McLaks (a grilled salmon sandwich) in Norway,



**5.27** Although American in origin, McDonald's 37,000 fast food restaurants are now found in 120 countries. This example is one of many McDonald's outlets in Murmansk, Russia.



**5.28** Ronald McDonald wears an Indian head cover to advertise new products at an outlet in Mumbai, India.



**5.29** Perhaps imitation is a sincere form of flattery; this is a fast-food outlet in Yangon, Myanmar.

and ayran (a chilled yogurt drink) and McTurcos in Turkey. In India, the burgers are made from mutton and are called Maharaja Macs, as Hindus will not eat beef and Muslims will not eat pork. In addition, as many Hindus in India are vegetarian, McDonald's offer a spicy vegetarian patty made of potatoes and peas called a McAloo Tikki.

Because of the adaptability of cultures, cultural diffusion has not resulted in all places becoming the same, although there is certainly greater mixing (or **hybridisation**) of cultures. Cultural diffusion is not a new process, and although the pace of cultural change is accelerating, the impact is uneven across the world – some places are more accepting of global cultural changes while others are more resistant.



5.30 The menu of a McDonald's restaurant in Mumbai, India. Note the vegetarian options near the top of the menu.



5.31 With its distinctive canals, Venice in Italy is characteristic of older cities that possessed a distinctive local or national character.

Large cities around the world experience **similar economic forces** that result in increasing homogenisation of their landscapes. These economic forces are often **speculative** in nature, meaning that they arise from the speculative activities of investors who are seeking to secure and build their investments through urban development. The forces are speculative in another sense too, in that investment decisions involve bets by wider communities of planners, governments and privileged transnational consumers and real estate buyers, as they speculate about the shape the city and its surrounding region will take in the future.



5.32 As a result of the ways global economic forces shape cities around the world, this scene could be in any developed country. It shows part of the CBD of Seoul, South Korea.

The forces of **speculative urbanism** are thus producing neoliberal global cities with **homogenised characteristics**. Investment funds that provide finance for urban development are

## Cultural landscape changes in the built environment

Until a few decades ago, **built environments** in different parts of the world had distinctive characters that reflected their national identity and their location. As a result of global interactions – economic, cultural and social – many built environments are **losing the distinctive cultural characteristics** that they once had. This applies especially to large cities, which are usually the parts of a country that have strongest international links.

The **pressures** facing cities in different parts of the world are becoming more similar as **more uniform economic systems** are adopted. Increasingly, the transnational corporations that make decisions in one city are making decisions in many parts of the world, so it is to be expected that **homogenisation** of urban landscapes will occur.

detransformed and reterritorialised by the transnational corporations that are driving the transformations. The constant search that TNCs undertake for new places to invest beyond their origins – to “go global” – results in investments in new and multiple nations, regions and cities, a process that is driven by **increasing global competition**. This international competitiveness is demonstrated in annually published **rankings** such as global liveability surveys and the ‘top 10 most liveable cities’. Significantly, speculative urbanism produces neoliberal cities because the process enables the ‘invisible hands’ within the **market** to influence and often control city governments.

**Three forces** shape the process of speculative urbanism and neoliberal urban development at a global scale:

- **The controlling role of global investors and associated investor ratings**

Global cities offer the prospect of making profits through **property speculation**, and this drives **investment**. Investors include transnational corporations and local elite businesses, sometimes as a way to absorb surplus profits and redirect them into a profitable use. This has been the case in several East Asian cities where large profits have been generated by oil exporters and low-wage commodity producers.

City governments try to **promote their cities** with proposals for ritzy downtown development schemes, high-end shopping malls and subsidies for attention grabbing buildings and entertainment facilities. The constant pressure is on city governments to do everything possible to win approval from potential investors. The



5.33 Speculative high-rise developments in Singapore.

consequence of market-driven developments in cities is often less urban space for activities that bring people into the public – **civic spheres** where people can interact and exchange in a non-marketised way, as opposed to interacting in highly privatised and marketised spaces that are only accessible to affluent residents.



5.34 When built environments are shaped by a dominant pro-market vision, the strong profit motive places great pressure on architects to maximise financial returns from every square metre of land. Consequently, public spaces and parklands are rare, as seen here in the Kowloon district of Hong Kong.

- **The steering role of consultants, meetings, and institutes offering expert advice on how to remake cities to attract global interest and investment**

Consulting organisations such as the World Bank offer advice on urban governance, promoting a **pro-market vision** on how best to work with market forces in order to expand the reach of speculative urbanism.

Many **urban planners** disagree with market-driven consultants’ recommendations, arguing that cities need to be made secure and safe for residents and tourists as well as investors. For example, the American urban studies theorist Richard Florida (who is a professor and head of the Martin Prosperity Institute at the Rotman School of Management at the University of Toronto in Canada) argues that global cities should be “*clean, green, culturally diverse, gay friendly, and foster funky and hip downtown areas*”. He advocates the three new ‘Ts’ of global city development: **tolerance, technology and talent**. Other experts talk about refashioning global cities into ‘eco-cities’.

- **The governmental role of city leaders and authorities seeking to remake urban governance to attract speculative capital**

Global city leaders constantly **network** with each other, and this leads them to start to see their own city in new ways based upon the experiences of other cities. This applies when city leaders read reports about pilot programs and demonstration projects that celebrate the successful make-over of one city, which could serve as a model for other cities elsewhere.

As cities grow, processes of speculative urbanism create uneven development in which some people are **excluded and marginalised** while others have **exclusive access** to resources and **privileges**.

**Speculative urbanism** is the relentless promotion of a place, including tourism marketing, branding and ranking of global cities as great places to visit and invest. All global cities are competing with each other for financial capital, and this leads to two **new kinds of neoliberal urban development** through spectacular urbanism and splintered urbanism:

- **Spectacular urbanism** occurs when a city exhibits high-end mega-malls, gentrified inner city areas, big-budget mega projects, luxury apartment towers and gated communities. An example of spectacular urbanism is the 828 metre high Burj Khalifa in Dubai, United Arab Emirates. The tallest building in the world, the Burj Khalifa was not built to maximise returns from valuable city centre land – it is largely surrounded by desert – but it stands as a testament to what the global competition for investment can achieve. From the top of the Burj Khalifa, visitors can see The World Islands, a failed luxury resort made of artificial islands in the shape of a world map. This project began in 2003 but was abandoned in 2008, showing how attempts to attract global capital in local space can be precarious.
- **Splintered urbanism** is the other side of neoliberal urban development that is often seen when spectacular urbanism occurs. The **four main features** of splintered urbanism are:
  - ▶ informal squatter settlements and slums
  - ▶ neighbourhood gang violence
  - ▶ police violence; and
  - ▶ in response to the previous points, urban struggles by marginalised residents for rights



5.35 The Burj Khalifa in Dubai, UAE, is a classic example of spectacular urbanism.

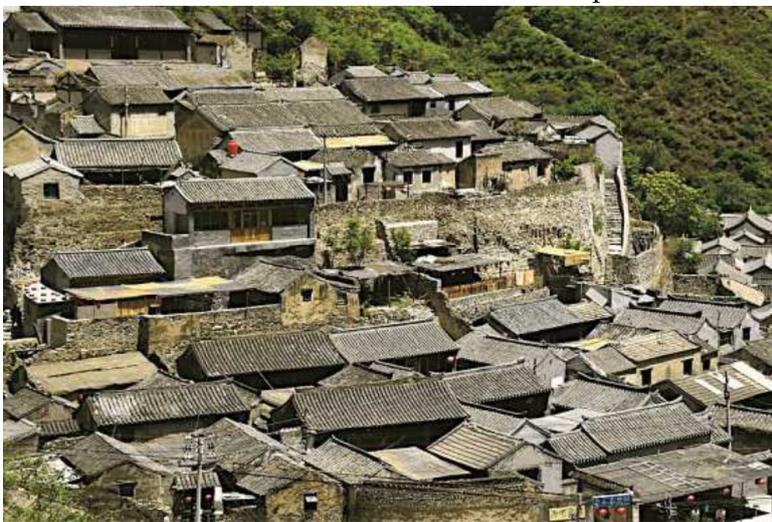


5.36 Slums and shanty settlements such as this barrio on the hillsides of Caracas, Venezuela, are evidence of splintered urbanism. Many of the shanty settlements in Caracas are located in close proximity to modern apartment towers and speculative high-rise developments.

to the city.

Global cities are places that increasingly see **parallel patterns of urban inequality** with slums and zones of abandonment that are often located right next to gentrified neighbourhoods, private malls, gated communities and some of the richest real estate on the planet. The landscapes of the dispossessed that are produced through processes of splintered urbanism are totally different aspects of world cities than those which are highlighted in the lists of rankings.

An example can be seen in the urban redevelopment of **Beijing**, China's capital city. As China has opened itself to links with the outside world, it has been exposed to similar kinds of **financial and commercial pressures** that impact all cities with international links. The response to



**5.37** The traditional urban landscape of Beijing comprised small courtyard-fronted homes, linked by narrow laneways called 'hutongs'. Very few of these traditional areas remain; this example is in the outer suburb of Chuandixia.



**5.38** The modern landscape of Beijing shows the homogenised urban landscape typical of most large cities with strong international links.



**5.39** Liulichang Street in the Dazhalan district is an example of an inner city gentrified area in Beijing.



**5.40** Yashow market in the Sanlitun district is typical of many large shopping malls now being built in Beijing, indicating that the commercial pressures on urban development in Beijing mirror the neoliberal principles found in most large cities.

these pressures in Beijing, as elsewhere, has been to **replace a distinctive urban landscape with a much more modern though homogenised landscape**, featuring infrastructure, facilities and appearances that could be found in almost any modern large city. This development has included aspects of spectacular urbanism, such as large shopping malls, gentrified inner areas, mega projects, luxury apartment towers and gated communities, but careful planning has avoided splintered urbanism.

### QUESTION BANK 5B

1. What is meant by the term 'cultural diffusion'?
2. Explain the process of cultural diffusion that occurred in past centuries.
3. Describe the difference between 'expansion diffusion' and 'relocation diffusion', and give an example of each.

4. What is 'time-distance decay'? How does it help us understand the process of cultural diffusion?
5. Define the term 'glocalisation'.
6. Do the three processes of relativisation, emulation, and interpenetration work in the same direction or against each other?
7. What is deglobalisation? How does deglobalisation relate to cultural differentialism?
8. Explain the difference between cultural adoption and cultural adaptation. Give some examples of each.
9. Define 'reverse adaptation', and give an example of it.
10. Why are built environments around the world becoming homogenised?
11. What is speculative urbanism? Why does it occur and what are its impacts?
12. Explain the three forces of speculative urbanism, and the impacts of each.
13. Define the terms 'spectacular urbanism' and 'splintered urbanism'. Explain the relationship between the two processes.
14. Ignoring the specific locational differences such as the slope of the land, describe the differences in the four urban landscapes of Beijing that are shown in figures 5.37 to 5.40. Relate the differences to the processes of speculative urbanism.

### Influence of diasporas on cultural diversity and identity

A **diaspora** is the scattering or dispersal of a community of people or a cultural group from its homeland to other parts of the world. The term was first used to describe the dispersal of **Jewish people** after their exile in Babylon (near present-day Baghdad, Iraq), but it has since been used to describe the spread of many cultural groups such as the Irish, the Italians, Africans, Indians and various Pacific Islander groups. In general, the people of a diaspora share a common cultural and/or geographic origin, and although spread across many new areas, they retain a strong sense of **identity** and **common background**.

In his book *Global Diasporas*, Robin Cohen outlines several **common characteristics** of diasporas:

- **dispersal** from an original homeland, often traumatically, to two or more foreign regions
- a collective myth and **memory** about the homeland
- a strong ethnic group consciousness sustained over a long time and based on a sense of **distinctiveness**, a common history
- a sense of **empathy** and solidarity with co-ethnic members in other countries of settlement
- a **troubled relationship** with host societies suggesting a lack of acceptance



**5.41** The Nevah Shalom Synagogue (right) is located beside the Ahmadiyya Anjuman Isha'at Mosque in Paramaribo, Suriname's capital city. Suriname is located on the Caribbean coast of northern South America, so the spread of Judaism and Islam to there are examples of relocation diffusion. Islam came to Suriname when slaves were brought from West Africa and plantation workers were brought from Indonesia, India and Pakistan in the late 1800s. Today about 13% of Suriname's population is Muslim. The Jewish population in Suriname is much smaller but has a longer history. Jews came to Suriname from the Netherlands and Portugal during the 1600s and 1700s as owners of sugar plantations. The synagogue shown above was built in 1723, and continues to serve the Jewish diaspora in Suriname.

The **Jewish diaspora** is found across the world, with concentrations in the United States, Russia and South Africa that reflect historic migrations. The **Indian diaspora** is found in places such as southern and eastern Africa, Fiji, Singapore, Myanmar, Brazil and the United Kingdom. The **Irish diaspora** has particular concentrations in the United States, Australia, Canada and the United Kingdom. An **Indo-Chinese diaspora** from Vietnam and Cambodia has concentrations in Australia and the west coast of the USA.

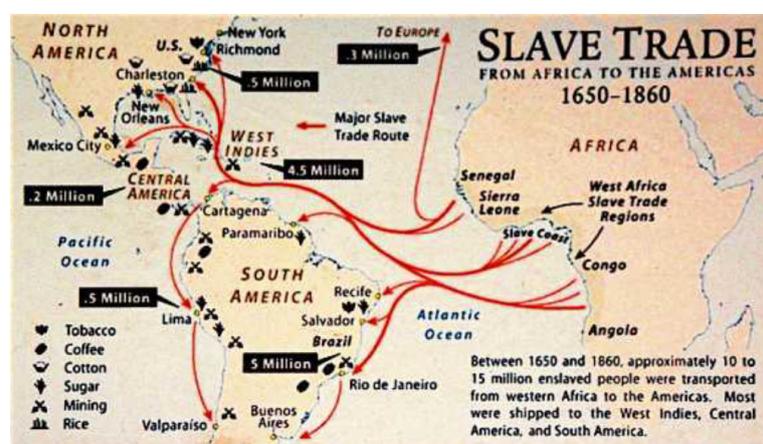


5.42 The area known as 'Little India' in Singapore contains a concentration of the Indian diaspora, many of whom are descendants of indentured labourers brought to then-British Malaya to work on plantations.



5.44 The town of Juffreh, and James Island which is nearby, were two slave trading centres on the Gambia River. This memorial reminds people of the area's infamous past with the slogan "Never Again!".

During the 16th to 19th centuries a **forced diaspora** occurred in the form of the **slave trade** in which an estimated 12 million Africans were transported to North America, South America and the Caribbean to work as forced labourers for British, Dutch, Portuguese and other European land owners on plantations growing crops such as sugar and cotton. The slave trade not only created an **African diaspora** in the Americas and the Caribbean but led directly to the development and spread of the concepts of racial differences and racial inferiority, not only among the slave-owning élites but among the Africans and Arabs who sold the enslaved people to the Europeans. For this reason, Cohen refers to the African diaspora as a **victim diaspora**, a term he also applies to Indian workers who were



5.45 This map in the Slavery Exhibition Museum in Juffreh, Gambia, shows the main routes used to move millions of enslaved Africans to the Americas over a period of several centuries. It is estimated that as many as 15 million people were transported as slaves, with an unknown number dying en route. Most of the enslaved people ended up in South America, while nearly half a million were transported to North America. These people were the ancestors of many people in the African diaspora in North and South America today.



5.43 Elmina Castle, one of the many fortresses on the coast of Ghana used by European traders to send thousands of captured men and women to the Caribbean and the Americas as slave labour, thus initiating the African diaspora in the Western hemisphere.

indentured to work on plantations in various parts of the British Empire.

The slave trade created a connection between people on both sides of the Atlantic Ocean and was thus an important agent of globalisation and cultural diffusion. African slaves from West Africa, and especially Benin and Togo, took their **voodoo** religion with them, where it remains established in parts of the Caribbean such as Haiti, and in Louisiana in the United States.

Today, the world's largest diaspora comprises **Overseas Chinese** people, who number about 50 million people. The largest concentrations are



**5.46** In terms of numbers, Chinese are the world's largest diaspora with about 50 million people. Overseas Chinese live in almost every country of the world, often establishing businesses such as this restaurant (known as 'Shanghai') in Murmansk, Russia.

found in Thailand (9.4 million), Malaysia (6.7 million), the United States (5.0 million), Indonesia (2.9 million) and Singapore (2.6 million).

Unlike the Indian and African diasporas, the **Chinese diaspora** occurred mainly as a result of trade movements, as shippers and traders established themselves in port cities around the world. There were some exceptions to this pattern, such as the Chinese diaspora in the United States and Australia, which initially began as Chinese miners arrived in the mid-1800s to participate the gold rushes. Once established, these diasporas grew through family reunion migration, and as Chinese people established themselves in business

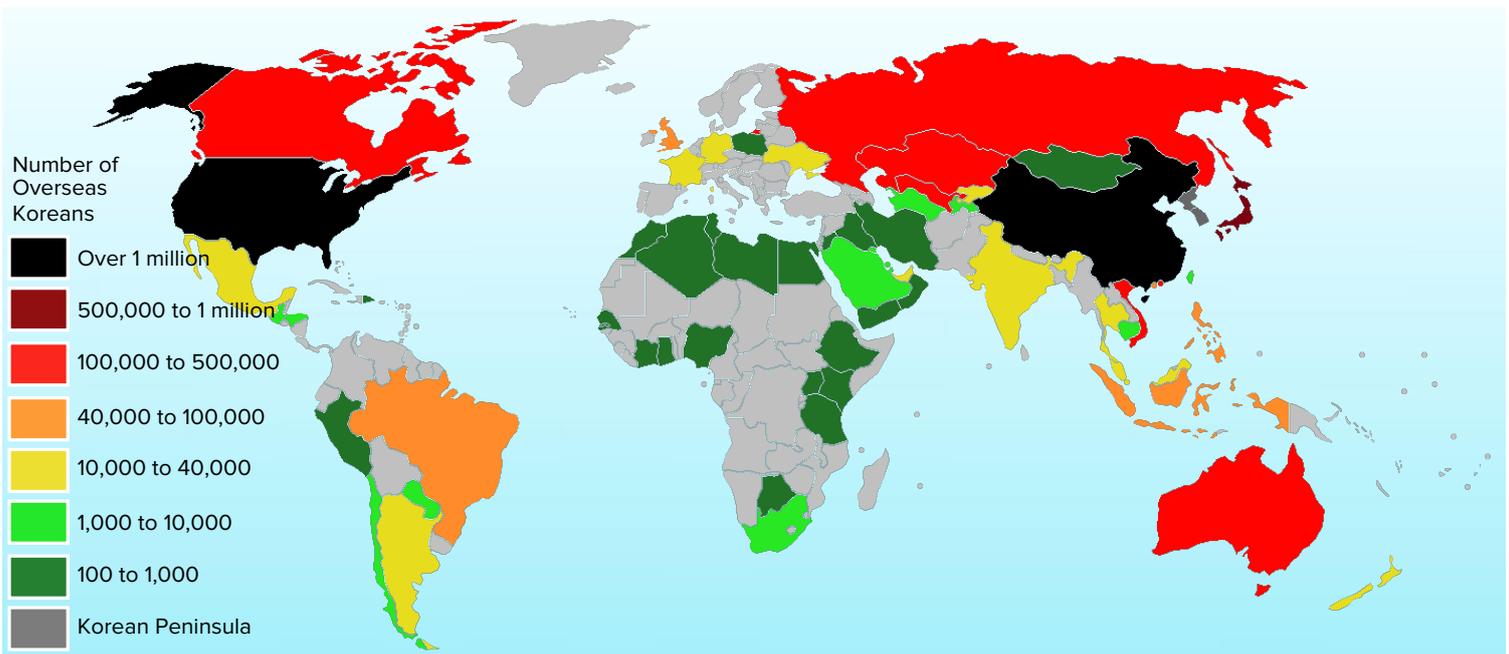
and commerce, they became an increasingly influential group within society.

A similar process is occurring today as a substantial **Hispanic** (Spanish-speaking) **diaspora** from Central and South America becomes established in the United States.

### CASE STUDY The Korean diaspora

The **Korean diaspora** numbers about 7.2 million people. There are large numbers of Overseas Koreans living in China (2.6 million), the United States (2.2 million), Japan (860,000), Canada (225,000) and Australia (155,000). There is another large group of about 500,000 people known as Koryo-Saram living in Russia and Central Asian countries such as Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan.

Whether living in Korea or elsewhere, **Korean identity** is said to be more important to Koreans than it is to any other ethnic group. It is said that very things are more important to Korean people than their 'Koreanness'. In his book *The Cleanest Race*, the American cultural geographer BR Myers quoted a North Korean newspaper editorial that stated "*Mono-ethnicity [tanilsŏng] is something that our nation and no other on earth can pride itself on... There is no suppressing the nation's shame and anger at the talk of a 'multi-ethnic, multi-racial society'... which would dilute even the bloodline of our people*".



**5.47** World distribution of the Korean diaspora. Source: Republic of Korea Ministry of Foreign Affairs and Trade.

Myers also cited an exchange in 2006 between North and South Korean military generals who were meeting to discuss the maritime border between the two countries. Prior to the meeting, the South Korean general had noted that farmers in the south had started marrying women from other countries. The North Korean general was visibly upset, stating *“Our nation has always considered its pure lineage to be of great importance. I am concerned that our singularity will disappear”*. The South Korean general agreed that the Korean race must be kept ‘clean’, but though that such marriages were just *“a drop of ink in the Han River”*. The North Korean general responded by saying *“Not even one drop of ink must be allowed”*. The Korean priority on **ethnic purity** explains why very few Overseas Koreans marry residents of the country where they are living, and it helps explain why North Koreans looks down on South Koreans so much for allowing the presence of foreign (US) troops on its territory.

The Korean peninsula was a stable, unified political entity for many centuries when, in the mid-1860s, a series of **natural disasters** in Korea forced large-scale migration of people across the border into north-east China and the Russian Far East. These migrants were the ancestors of the large numbers of Koreans who live in these areas today. In China, Koreans are recognised as one of the country’s ‘major minorities’, where they are concentrated in the provinces of north-eastern China near the Korean border.

The **Japanese invaded** Korea in 1910, and governed it as a colony from that time until the end of World War II in 1945. During this period, large numbers of Koreans were **forcibly relocated** to Japan and Japanese-occupied north-east China (then known as Manchukuo). Most of the Koreans who were sent to Japan remained there after the end of the war as the political situation on the Korean peninsula became unstable.

Following World War II, Korea became a proxy area for **superpower rivalries**, and it was divided into two halves, the Soviet-dominated communist north and the US-dominated capitalist south. Tensions continued and then exploded into an all-out **war** from 1950 to 1953. An armistice was signed in 1953, but North Korea and South Korea still technically remain on a war footing. Today, Koreans represent over 40% of the non-Japanese population in Japan.

Koreans who were living in the **Russian Far East** experienced quite a different fate. In 1937 and 1938, as World War II appeared imminent with the Japanese invasion of Manchukuo, the Soviet leader, Josef Stalin, decided that the Koreans could not be trusted because they might side with the Japanese in any conflict. He ordered that the Koreans, known as **Koryo-saram** (literally ‘Korea-person’), be **forcibly relocated** westward to Central Asia.

Over 170,000 Koryo-saram were moved to Siberia (part of Russia), Uzbekistan, Kazakhstan, Ukraine, Kyrgyzstan, Tajikistan and Turkmenistan, all of which were part of the USSR at the time. Once the Koryo-saram arrived in their new homes, they faced such difficult conditions due to harsh climate and forced labour that about 40,000 died within the first year of transportation.



5.48 An elderly Koryo-saram with his Russian friend in Ust-Nera, a remote mining town in the Russian Far East.



5.49 A Korean restaurant operated by Koryo-saram in Ust-Nera, Russia. The sign above the door displays pictures of the Korean dishes available.



**5.50** Two Koryo-saram sell kimchi and other Korean dishes in the main markets of Dushanbe, the capital city of Tajikistan.

After World War II ended in 1945, life improved for the Koryo-saram, and they settled into their new environments, learning the local languages, farming rice, catching fish and working in local markets selling food. It is currently estimated that there are 176,000 Koryo-saram in Russia, 176,000 in Uzbekistan, 105,000 in Kazakhstan, 19,000 in Kyrgyzstan, 13,000 in Ukraine, 6,000 in Tajikistan and 3,000 in Turkmenistan. Very few Koryo-saram have married non-Koreans, and they **retain many Korean practices** such as their diet, although most wear local clothes and speak the local languages.

Like China, the United States has more than two million Korean-Americans. Some of these people are **descended from orphans** whose parents were killed during the Korean War between 1950 and 1953, where the United States fought against North Korea on the side of the south. However, the majority of Korean-Americans **emigrated voluntarily** in search of a more prosperous life after US immigration controls were relaxed in 1965.

Most Koreans who live in other parts of the world, such as Australia, the Middle East, Europe and Latin America are South Koreans who have **migrated freely** because of work, often as employees of South Korean companies that have established factories or offices in many parts of the world. In most countries where they have settled, Koreans are among the most **highly educated** and **prosperous people** in the country.

Small numbers of North Koreans attempt to cross the border into China as economic or political **refugees**. If caught by Chinese authorities, these refugees are returned to North Korea. Those who

manage to remain undetected usually want to go eventually to South Korea rather than becoming part of the Korean diaspora, as the South Korean Government offers financial incentives for escapees and they are treated as heroes by the South Korean authorities. Although famines and natural disasters in the 1990s forced significant numbers of North Koreans to flee to China, the trickle of refugees over the past two decades has mainly been Christians in search of religious freedom or middle-aged farming women who are struggling to make a living in areas where harsh climates or poor soils reduce productivity.



**5.51** A Korean restaurant in Ryde, a suburb of Sydney (Australia) that has a large Korean community among its residents.

With the rise of South Korea as an economic powerhouse since 2000, the **net flow** of Korean migration is back into South Korea. Since 1980, about 380,000 ethnic Koreans have migrated to South Korea from China, and some Koryo-saram are reported to have migrated to South Korea from Central Asia.

### QUESTION BANK 5C

1. What is meant by the term 'diaspora'?
2. Outline the characteristics of any diaspora.
3. Describe the different reasons that there are Jewish, Indian, African, and Irish diasporas.
4. How did the Chinese diaspora become established? Suggest reasons why it is now the world's largest diaspora.
5. Describe and account for the world distribution of the Korean diaspora.
6. Compare the different reasons for the establishment of the Korean diaspora in Japan, Central Asia and the United States.



6.1 Master Cola is a soft drink in Syria. Coca-Cola took the owners of Master Cola to court in 2014, claiming that Master Cola's branding was copied from Coca-Cola, and that the packaging was so similar to Coca-Cola's that it might confuse customers.

## Local and civil society resistance to global interactions

### Adoption, adaptation or rejection of globalised goods

A growing number of people in highly globalised societies claim to **oppose globalisation**, and they **express** this viewpoint in ways such as buying only locally produced goods, refusing to buy goods from certain overseas locations, and refusing to do

business *with* certain transnational corporations that are believed to follow unethical practices such as paying workers in developing countries unfair wages or engaging in environmental destruction.

On the other hand, globalisation has been **commercially successful**. It is evident that large numbers of people willingly buy the cheapest items in the supermarket regardless of their country of origin. Consumers also enjoy the benefits of broadband internet, and are prepared to work for companies with transnational connections. If this were not so, then globalisation could not have taken root at the local level to the significant extent that it has in many places.



**6.2** A Starbucks coffee outlet in Riyadh, Saudi Arabia. Starbucks is a US-owned global corporation that consciously exports its Seattle-based culture that it describes as “warmth, belonging and tolerance” around the world.



**6.3** This café in Bethlehem is modelled on the well-known international chain, Starbucks.

Individuals at a local scale seldom accept globalisation unthinkingly. In order to make foreign goods and services attractive to local people, **adaptations** are often implemented. Adaptation occurs in the opposite direction also, as local businesses may adapt in order to identify with the **allure and glamour** of globalisation, and an example of this is the coffee shop in figure 6.3.

**Surveys** show that those who most want globalisation tend to live in developing countries — paradoxically those who complain most about globalisation are those who perhaps benefit most from it and live in wealthier countries. However, many people who acknowledge the benefits of globalisation also want radical changes to the power imbalance implicit in the way that globalisation is presently being implemented.

### QUESTION BANK 6A

1. Survey the shops and businesses in your local area. To what extent have the commercial activities in your local area become globalised?
2. Why does the rate of adoption of globalisation vary from place to place?
3. Outline the ways people respond to the challenges of globalisation at the local scale.
4. Show how adaptation to globalisation can be a two-way process.
5. Conduct an investigation in your local area to evaluate the relative costs and benefits of local commercial production to (a) the producer, (b) the consumer, and (c) the local economy, when compared with the costs and benefits of globalised production.

### Anti-globalisation and anti-Globalisation

The term **anti-globalisation** has been popularised in the media, and has since become widely used in general conversation. Even some protesters now use the term. The majority of protesters are not against globalisation in itself, but rather they oppose certain types of globalisation — specifically **Globalisation** with a capital G, which is **neoliberal globalisation**.

In some cases, activists in the anti-globalisation movement are more in favour of globalisation (without the capital G) than organisations such as the IMF or the WTO. This is because the protestors advocate for the **elimination of borders** to allow freer movement of all people, including asylum seekers and economic migrants, not just business elites.

Anti-Globalisation protestors, activists and opponents of Globalisation accuse **transnational corporations** and **compliant governments** of trying to maximise profits at the expense of workplace safety, labour rights, the environment and national laws. Whether they protest online or in the streets, the anti-Globalisation movement comprises heterogeneous groupings with different priorities gathered around a **common idea** that the Globalisation of capitalism, and specifically the spread and influence of neoliberal economic philosophy, is harmful to many people.

Anti-Globalisation groups include:

- Environmental groups
- Anarchists
- Socialists
- Trade unions
- Religious groups
- Indigenous rights groups
- Fair trade proponents
- Agrarian co-operatives
- Non-government organisations (NGOs)
- Community-based organisations
- Human rights groups

These diverse groups can be grouped as local, national and global **civil society**, a concept whose meaning is shifting but which is generally seen as the **social sphere** of a region or country, separate from governments and the market.

With such an eclectic mix of groups, it is inevitable that **priorities** will vary group to group. For example, Fair Trade groups want trade to be treated in fairer manner, environmentalists want a stronger international environmental regulatory framework, farmers in developing countries are concerned with agricultural subsidies in Europe and the United States, while trade unions are concerned with the weakening of labour rights.

At their foundation, however, all these anti-Globalisation groups share their **opposition** to the unregulated political power that large **trans-national corporations** possess, and they oppose the powers exercised through **trade agreements** and the **deregulation of financial markets**. As such, the media is not really accurate to identify such groups as anti-globalisation; the more accurate label is **anti-Globalisation**.

### Rejection of globalised production

Anti-Globalisation groups see clear differences between the present world economic order and the type of global economic structures they believe are preferable. The differences can be summed up in the following points, where the **Anti-Globalist alternative** is expressed first:

- **Global fair trade** vs free trade
- **Rebuild public services and public spaces** vs privatisation of public assets and services

- **Global environmental and workplace regulations** vs deregulation of labour laws and standards
- **Global investment in education and health care** vs austerity and privatisation of education and health care
- **Global tax on capital movements** vs financial deregulation and tax reductions for large corporations
- **Community and ecological sustainability** vs investment liberalisation with its consequent risks of environmental damage
- **Transnational worker and community solidarity** vs anti-unionism and suppression of trade unions
- **Localise and democratise economic development** vs export-led economic development
- **Global debt relief without conditions** vs anti-inflation debt discipline
- **Open source, shared science** vs privileging of private property

Embracing these **ideals**, anti-Globalisation groups have been **campaigning** against neoliberal globalisation and the actions of transnational corporations for several decades.

Pioneers in these protests were the **Zapatistas**, or as they are more formally known, the Zapatista Army of National Liberation. Based in Chiapas, the most southern state of Mexico, the Zapatistas are a revolutionary, leftist, militant political group that strive to achieve social and agricultural reforms in Mexico. In 1994, they attracted world attention as



6.4 An anti-Globalisation rally organised by the Zapatistas in Mexico City, Mexico.

they denounced the neoliberal policies attached to **NAFTA**, the North American Free Trade Agreement between Mexico, Canada and the United States.

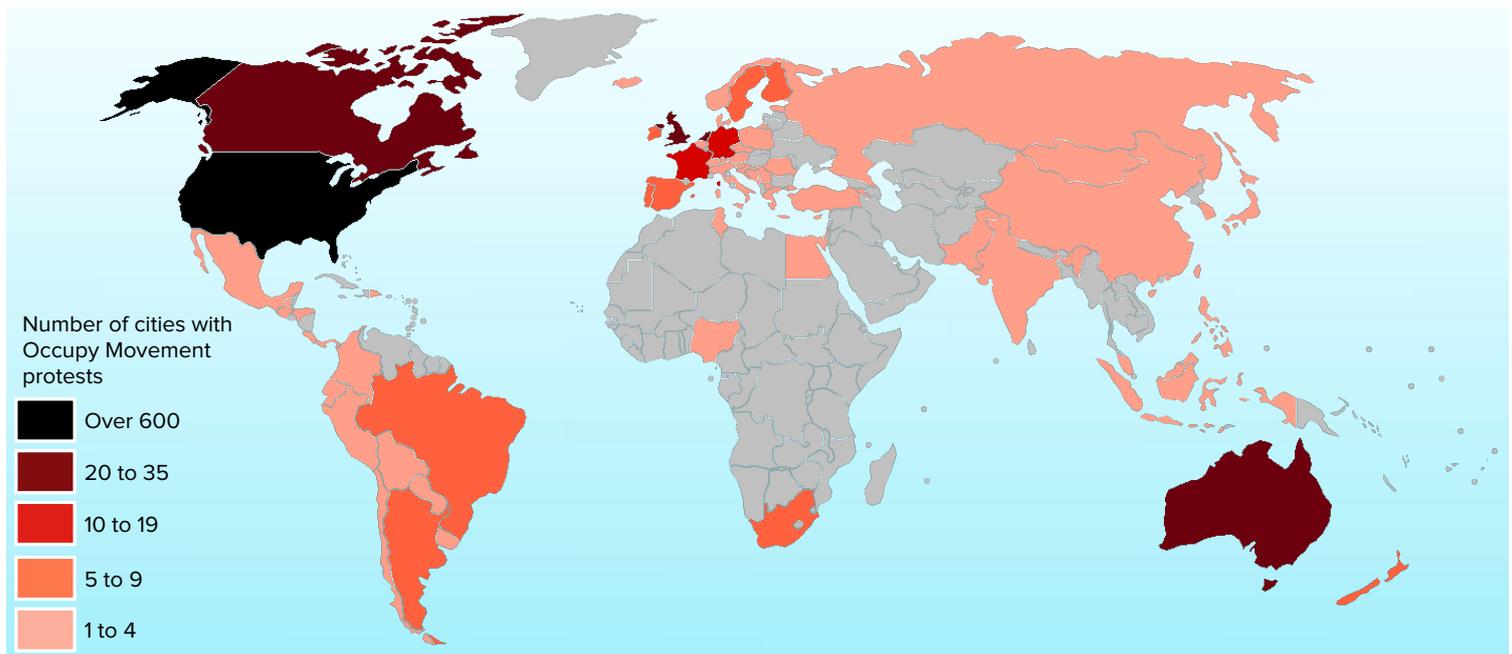
In attacking the role of TNCs, the Zapatistas claimed they did not want to take power, but rather wanted to change power. Matthew Sparke, Professor of Geography and International Studies at the University of Washington, wrote that *“The (Zapatista) protests were not a rejection of global interdependency but rather a representation of globe-spanning political solidarity by groups unwilling to accept that interdependency should be organised along the neoliberal lines dictated by the WTO”* (2013, p.46).

The Zapatistas’ pioneering protests gained global momentum in November 1999 when the **WTO** (World Trade Organisation) held its meeting in **Seattle**, USA. Because anti-Globalisation groups believed the WTO was imposing neoliberal policies on developing countries and favouring TNCs over the rights of ordinary people, NGOs and social movements organised widespread protests. **Street marches** were organised on all four days of the meeting, and when protestors and riot police clashed, tear gas was used to disperse protestors. More than 600 protestors were arrested, thousands more were injured, and lawsuits amounting to more than US\$200,000 were launched against the Seattle Police for assault and unlawful detention. The widespread **media coverage** of the event raised world-wide awareness of the protestors’ issues and concerns.

Anti-Globalisation protests continued and became more intense in April 2009 when the **G20 Summit** was held in **London**, United Kingdom. Protests continued for the duration of the event, with particular concerns being expressed about economic policies such as the **excessive power** of the world banking system, bankers’ remuneration and bonuses. Other concerns raised during the protests included the ongoing war against **terrorism** and **climate change**.

Anti-Globalisation protests became even more widespread in 2011 with the rise of the **Occupy Movement**. This began as the Occupy Wall Street in New York (USA), but later spread to 951 cities across 82 countries. The Occupy Movement protests focussed on the disparities between the ‘super rich’, who were identified as the **top 1%** of income earners, and ‘the rest’, who were also referred to as **‘the 99%’**.

The genesis of the protests was the realisation that the top 1% of income earners had nearly tripled their after-tax incomes over the previous thirty years, **widening the gap** between the rich and poor people of the world. Anti-Globalisation sentiments were expressed as non-violent **street protests**, often using the slogan *“We are the 99%”*, supported by the establishment of **tent settlements** in public places of some cities, **prayer vigils**, and widespread **social media campaigns** using Facebook, Twitter, Meetup and IRC.



6.5 The world distribution of Anti-Globalisation protests that were part of the Occupy Movement, 2011 to 2013.

At the **local and personal scale**, many consumers are rejecting globalised production in favour of **locally produced goods** to express anti-globalisation. While this tactic is often impractical to apply to complex manufactured goods such as cars, mobile phones and computers, it does have some impact when applied to **locally-sourced food**.

For consumers to replace globalised production with locally-sourced goods, it is necessary that the products purchased are indeed **produced locally**. In many parts of the world, this is difficult. Even fairly simple goods to manufacture such as **textiles** are now heavily **globalised**, with most garments being made in a handful of countries such as China, India, Bangladesh, Pakistan, El Salvador, Kazakhstan, Italy and Germany.

Although most countries do produce **food**, the **range of crops** grown in any place is limited by its climate, soils, landforms and culture. Therefore, relying exclusively on locally-grown produce necessarily means that **dietary diversity** will be reduced compared with drawing upon globalised sources. In other words, people in Europe would have reduced access to tropical foods such as bananas and pineapples, they would go without beverages such as tea and coffee, and in extreme cases such as Iceland and Greenland, diet would essentially be **restricted** to fish and some root crops such as potatoes and turnips.

Locally-grown food is usually **fresher** and therefore more **nutritious** than food which has undergone long-distance transportation. Food that is transported over long distances must often be harvested before it is ripe, then chilled for transportation before being ripened in warehouses (rather than ripening as a living organism). This process requires large amounts of **energy**, much of which is in the form of fossil fuels, increasing **carbon footprint** and **food-miles**.

Substituting locally-produced food for globalised food can bring mixed benefits for **farmers** and **producers**. On one hand, buying locally-produced food in Europe and North America **supports local farmers**, many of whom would otherwise be **uncompetitive** because of their high costs of production compared with farmers in countries with climates that offer better growing conditions. As many of these farmers receive **subsidies** from their governments to remain viable, consumer



6.6 Occupy Chicago activists hold a street protest in the financial district of central Chicago, USA.



6.7 Signs in the Tent City erected by Occupy London protesters in front of St Paul's Cathedral convey the group's anti-Globalisation sentiments.

preferences for locally-grown food can relieve some pressure on **government expenditure**, although it also has the effect of keeping **inefficient, high-cost** farms in production. In the countries that produce food efficiently, many of which are **developing countries**, European preferences for locally-grown food can be seen to **harm impoverished producers** who rely on exports for their livelihood.

For consumers in many developing countries, globalised food is rarely an option. People in these areas consume locally-produced food because few or no alternatives are available. Importing food from overseas requires expenditure on transport and refrigeration, both of which demand **money** and **resources** that are scarce in poorer societies. The fact that globalised production of food is not an issue for most people in developing countries helps explain why so few Occupy Movement protests occurred in poorer countries (figure 6.5).

Several decades ago, the-then President of Tanzania, **Julius Nyerere**, made the following far-sighted claim on behalf of people in developing countries about the emerging trend of globalised production:

*“There is a world economy, and there are international institutions, even if there is no world government. Our national economies are linked; the poverty or prosperity of one country affects the economy of all others. When potential customers are too poor to buy, the manufacturer suffers — internationally as well as nationally. And under the present world economic order, the rich and the industrialised areas — regardless of whether they are capitalist or socialist — automatically, as well as by the exercise of naked power, extract from the poor and rural areas even that little which they have.*

*It is done through the pricing mechanisms of primary products relative to manufactured goods, by a virtual monopoly of international transportation facilities, by the control of world currency and credit, which is exercised by the rich nations and by a hundred or so other so-called market forces. Among these should not be forgotten the industrial and financial activities of the great transnational corporations, and their manipulations to increase the wealth of the already rich at the expense of the desperately poor.*

*Yet on a world scale, we are still being told that the solution to the present economic ills is for greater investment and greater wealth accretion in the already*



**6.8** This fish market in Julius Nyerere’s home country of Tanzania shows the importance of locally-sourced (rather than globally-sourced) produce. All fish on sale are from local fishing boats; nothing comes from large-scale fishing vessels such as those operated by Russian, Chinese, Japanese or South Korean fishing companies. This market is in the capital city, Dar es Salaam.



**6.9** Markets in developing countries, such as here in Khujand, Tajikistan, sell produce that is almost all sourced locally. This contrasts with supermarkets in more globalised countries where much of the food sold is imported from other countries, being packaged and sold after long-distance transportation.

*developed areas. We are told that the real problem comes from the oil producers among the developing countries, who have found a way of preventing their wealth being extracted in the interests of cheap transport and cheap power in the industrial economies. The fundamental imbalance between the world’s rural and urban nations — between the industrial and the primary producer areas — is not yet universally recognised as the root cause of world economic problems and world poverty.”.*

### QUESTION BANK 6B

1. What is the difference between ‘anti-globalisation’ and ‘anti-Globalisation’?
2. What are the common ideas that unite diverse anti-Globalisation groups?
3. Outline the key differences between anti-Globalist priorities and neoliberal economic policies.
4. Describe the approaches taken by anti-Globalists who have campaigned against TNCs.
5. The discussion on page 197 describes the advantages and disadvantages of locally-sourced and globally-sourced food production. Construct a table with two columns, one headed ‘advantages of locally-sourced food’ and one headed ‘advantages of globally-sourced food’. Classify the points discussed into one of these columns, and then add any additional points that come to mind.
6. The quote by Julius Nyerere in the section above is several decades old. How accurately do you think it summarises the reality of globalisation in the world today?

7. Explain how accurately each of the following quotes describes Globalisation and the possible alternatives:
- "The third world is the cow, the second world is the dairyman, and the first world is the butcher." — Oxfam Community Aid Abroad, an Australian community-based aid and development organisation.
  - "If you're not part of the solution, you're part of the problem." — Eldridge Cleaver, US author.
  - "I sit on a man's back, choking him and making him carry me, and yet assure myself and others that I am sorry for him and wish to lighten his load by all possible means — except by getting off his back." — Leo Tolstoy, Russian novelist.
  - "Terms are devised as though it is some kind of disgrace to be poor. The disgrace is inequality of incomes in an underdeveloped country. The disgrace isn't the suppression of basic human rights, of religious persecution, oppression on the grounds of race or tribe, suppression of political opposition, direct control of the news media and similar practices." — Sir Robert Muldoon, former prime Minister of New Zealand.

### CASE STUDY

### Campaign against McDonald's in Tecoma, Australia

**Tecoma** is an outer suburb of Australia's second largest city, Melbourne. Situated in the foothills of the Dandenong Ranges, Tecoma has the character of a village set in a **semi-rural environment** surrounded by abundant bushland. Many of the area's residents chose to move to the area to enjoy its traditional lifestyle and its emphasis on clean environmental quality and support of locally-owned businesses.

In 2011, **McDonald's** proposed building a **24-hour takeaway restaurant** in the main street of the town, hoping to sell hamburgers and other types of food to drivers passing through the area. The town's local government authority, the Yarra Ranges Shire Council, **rejected** the proposal unanimously in a meeting attended by 650 local residents to voice their opposition to McDonald's proposal.

McDonald's **appealed** to a higher state tribunal, the Victorian Civil and Administrative Tribunal (VCAT). Even though 300 objections were received from local residents and organisations, McDonald's obtained approval from VCAT in late 2012 to proceed with construction. VCAT claimed that the residents' objections were 'irrelevant', and thus overturned the Shire Council's earlier ruling.



6.10 Signs posted by local residents on the site of the proposed McDonald's restaurant in Tecoma, Australia.

This ruling enraged the local community, which launched a widespread **campaign** to stop construction of the outlet. The local community **opposed** the restaurant because:

- a 24-hour outlet would generate additional **noise** in the town
- it would introduce **unhealthy food** at low prices that might appeal to young people, thus causing health problems
- it would violate the local community's commitment to **ecological sustainability** and its opposition to **investment liberalisation**
- it would be counter to local people's philosophical preference to **support local producers and vendors** rather than a transnational corporation with questionable environmental practices.



6.11 Protesters on a street march to oppose a proposed McDonald's restaurant in Tecoma, Australia.



6.12 A sign posted by a local resident on the site of the proposed McDonald's restaurant in Tecoma, Australia.



6.14 Protesters continue to campaign against the McDonald's restaurant in Tecoma, even since its opening.

long **24-hour vigil** was organised, ending when police removed the last sole protester. Further protests included **meeting** with senior politicians, an organised **petition** that obtained 3,775 signatures, a **photo project**, placing 200 **garden gnomes** on the steps of McDonald's headquarters in Melbourne, and a **street march**. The campaign managed to get wide **publicity**, including international coverage by CNN.

In spite of the protests, construction continued and the outlet **opened** in April 2014. Since that time, **protests have continued** with local residents displaying roadside banners to discourage motorists stopping to patronise the restaurant and updates to the website. Protesters even wrote a **ballad** and posted it online to continue publicising their campaign ([vimeo.com/56677646](http://vimeo.com/56677646)).

From the perspective of Tecoma residents, **this issue continues**. They hope the day will come when their efforts succeed and the McDonald's outlet they oppose so passionately will close.

**Construction** began in mid-2013, and opposition continued throughout the construction period. **Signs** were erected on the proposed site of the restaurant, **street protests** were organised, a **community garden** was planted on the land set aside for the restaurant, a **website** was established ([www.burgeroff.org](http://www.burgeroff.org)) and several **Facebook** and **Twitter** accounts were used to publicise the community's opposition to the proposal. A month-

Tecoma's a village  
in the Dandenong Ranges  
McDonald's wants to move in  
We all say it's outrageous  
We went to the council  
1100 people strong  
But got dragged into VCAT  
Who just got it so wrong  
So there was this space  
Right next to the Saffron  
We turned into a garden  
And anyone can come along...and sing  
No Maccas, no Maccas no  
not here in Tecoma, our beautiful home  
Then along came the fences  
Freeman's protection  
The police did their duty

But they left us a gap  
So we watered the garden  
And Facebook will tell  
If we can see off the bully  
and block hamburger hell  
No Maccas, no Maccas no  
not here in Tecoma, our beautiful home  
Right where the highway  
Goes from two lanes to one  
To build a restaurant with a drive through  
Just seems kind of dumb  
And the kids in the pre-school  
Just over the road  
Will see a community  
That shares the load  
We're not hippies or ferals  
we're just grassroots people

and read what the sign says  
resistance is fertile  
So when big loud and tasteless  
Tries to move in on your town  
Tell 'em what we're doing in Tecoma  
Where the people won't back down  
No Maccas, no Maccas no  
not here in Tecoma, our beautiful home

The hills of Tecoma  
they're tree'd and they're green  
and the red and the yellow  
will never be seen.

6.13 The lyrics of 'The Ballad of Tecoma', which can be viewed as a video clip at [vimeo.com/56677646](http://vimeo.com/56677646).

## The rise of anti-immigration movements

**Immigration** is a **controversial** subject in many countries, and in some cases, it has become a significant **political issue**. Emotions are easily aroused, especially in countries where people worry their traditional culture and lifestyle is under threat from immigrants who may have different religions, politics and customs. Anxiety about immigration can become acute when citizens of a country believe immigrants are arriving or being allowed entry without complying with the country's immigration laws. In such cases, the pejorative term 'illegal immigrant' is sometimes used to stir up **opposition to immigrants** who have arrived without following established protocols.

**Attitudes** towards immigration vary significantly from country to country. To a large extent, antagonism towards immigration is strongest in countries where rates of immigration are highest. Figure 6.15, which shows the world distribution of net migration, indicates that immigration is concentrated in North America, Western Europe, Russia, the Middle East and Australia. These are the areas where anti-immigration groups have the most influence.

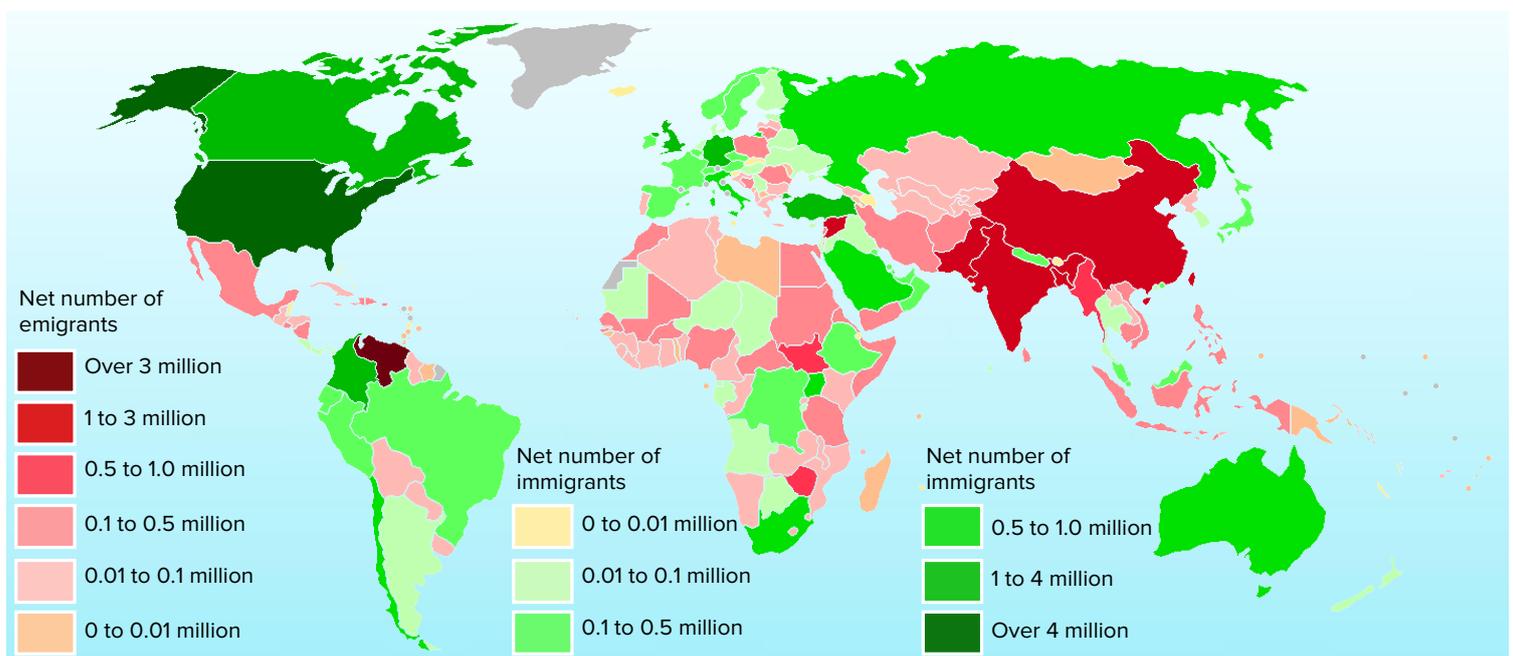
**Opposition to immigration** arises for several reasons, but mostly because of **fear of perceived threats**, such as:

Table 6.1  
The top 10 countries accepting immigrants, 2018

Country	Net number of immigrants	Total population size	Number of immigrants per 1,000 people
United States	4,774,029	327,163,430	15
Germany	2,719,112	82,927,920	33
Turkey	1,419,610	82,319,720	17
United Kingdom	1,303,250	66,488,990	20
Canada	1,210,159	37,058,860	33
Colombia	1,023,981	49,648,680	21
Russia	912,279	144,478,050	6
Uganda	843,409	42,723,140	20
Australia	791,229	24,992,370	32
South Africa	727,026	57,779,620	13

Source: United Nations Population Division, World Population Prospects.

- immigrants will take jobs away from citizens, thus causing **unemployment**
- immigrants will drive up the demand for housing, thus **increasing residential rents** and purchase prices of accommodation



6.15 Net migration by country in the year 2018. Source: United Nations Population Division, World Population Prospects.

- immigrants will receive **social security (welfare) payments** such as unemployment benefits and pensions, thus **raising taxes** for wage-earners
- immigrants will put additional pressure on **health care** and **education facilities** that are already under-resourced
- immigrants will bring **foreign diseases**
- immigrants will raise the **crime rate** because their poverty forces them to steal to survive
- immigrants from certain countries may be **terrorists** who are infiltrating the country under the disguise of a legitimate immigrant or refugee
- immigrants raise the population size, and more people means more **environmental degradation**
- immigrants often **fail to integrate** with mainstream society, retaining their own religion, language and culture, and settling in areas where many other immigrants have already formed clusters (that critics label 'ghettos')
- immigrants dilute a country's **traditions** and **national identity**.

Research evidence suggests that in general, these **fears are unfounded**:

- many immigrants accept jobs that entail long hours with relatively poor pay that a country's citizens are unwilling to accept, thus filling a **genuine labour need**
- immigrants **stimulate demand** in the economy for goods and services, and their expenditure has a **multiplier effect** that results in economic growth; in other words, immigrants usually produce and contribute more resources than they consume
- immigrants contribute to government revenue through **taxation**
- in most countries, immigrants must wait until they receive **citizenship** before they are eligible to vote, receive pensions or social security benefits
- immigrants have been shown to raise the **educational expectations** and standards of schools in many host countries
- immigrants invariably have **lower rates of criminal activity** than the general population, partly because of fear of deportation, although when some do commit crimes, they may be more visible than other members of the general public

- although immigrants may be initially reluctant to integrate with mainstream society for reasons such as shyness or language difficulties, the **children and grandchildren** of immigrants almost always integrate fully into the host country's society.

**Reactions to immigration** are often based more on emotion than factual evidence or reasoning. In some countries, **political groups** have tapped into unease over immigration to stir up anxiety, often to their own political advantage. Examples of this trend include the Brexit vote in the United Kingdom and the election of President Donald Trump in the United States (both of which featured anti-immigration as a significant issue), and the rise of right-wing anti-immigration parties such as One Nation in Australia, the National Front in France, UKIP in the United Kingdom, and the Party for Freedom in the Netherlands.

In the **United States**, anti-immigration sentiments are mainly directed against immigration from Latin American countries such as Mexico, Guatemala, El Salvador and Nicaragua. In the case of the **European** anti-immigration groups, much of the focus of their antagonism has been on Muslim immigration from North Africa, the Middle East and Turkey. Some commentators suggest that the social and political pressures caused by immigration in Europe may lead to the **disintegration** of the European Union as member states become increasingly concerned about the free movement of immigrants among European countries and the loss of sovereignty and border controls that this freedom of movement implies.



**6.16** Anti-immigration advocates demonstrate to publicise their viewpoint during the US Presidential election, 2016.

**CASE STUDY**

**Anti-immigration movements in Europe**

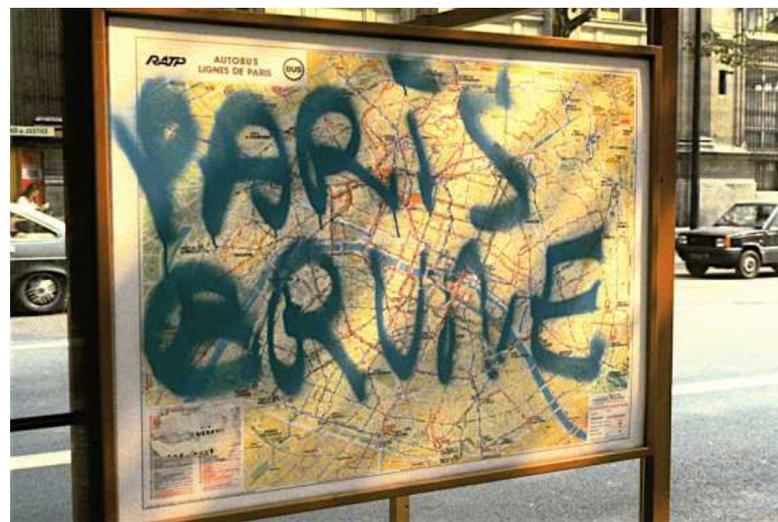
Attitudes towards immigration **vary** from country to country within Europe. Some European countries such as the United Kingdom, the Netherlands and France have been ethnically diverse for many decades because of their history of colonial administration. On the other hand, many other European countries such as Finland, Romania and Albania have only accepted substantial numbers of immigrants since the 1990s.

In the years following the end of World War II in 1945, there was a **shortage of labour** in much of Western Europe, so countries such as West Germany, the United Kingdom, France and Switzerland actively recruited labour from other countries. Millions of **immigrant workers** arrived, mainly from poorer countries on the southern and eastern fringes of Europe such as Turkey, Lebanon and Morocco. These immigrants were known as ‘guest workers’, implying a hope that they might return to their home countries when their work had been completed.

Immigration into Western Europe rose sharply in the 1980s and 1990s with the **collapse of Communism** in Eastern Europe, the break-up of the Soviet Union, and the disintegration of Yugoslavia. The flow of immigrants accelerated further as a result of various **political and economic crises** during the same period in the Middle East, Africa and Asia. By 2016, there were

35.1 million people born outside the European Union living within the EU, and an additional 19.3 million people living in an EU member state who were born in a different EU member state.

The **sources of immigrants** into European countries vary greatly as a result of factors such as the proximity of the country to the external borders of the EU, the colonial history of each country and the specific needs of each economy. Thus Greece receives most immigrants from nearby Turkey, Italy receives migrants from Albania and Libya, Portugal receives migrants from former colonies such as Brazil and Angola, while Germany receives immigrant workers from Turkey and Romania while Scandinavian countries (Norway, Sweden and Denmark) receive immigrants fleeing from conflict zones such as Afghanistan, Iraq and Syria.



6.18 Anti-immigrant graffiti in a sign in Paris, France. The painted slogan means “Brown Paris”.

As a result of **anti-immigration public opinion**, the poorest immigrants tend to be the most vulnerable to **discrimination** and **violence**. Groups such as Jews, Muslims, Roma, undocumented migrants and asylum seekers are the most likely to find difficulty gaining employment, barriers to finding housing, denial of loan applications, and threats of physical violence and hate speech in Europe. Throughout Europe, immigrants tend to live in areas where **unemployment** rates are highest, average **incomes** are lowest, **crime rates** are higher than average, and **health and education facilities** are below average standards. The countries in Europe where these problems are most evident are the United Kingdom, Germany and Sweden.



6.17 Muslim immigrants from the Middle East and West Africa in Malmö, Sweden.

**Ultra-nationalist** right-wing political parties have gained support in some parts of Europe because of their anti-immigrant policies. Germany, Austria, France, the United Kingdom, the Netherlands, Denmark and Switzerland all have active political parties that feature anti-immigration as a key policy position. In the case of Germany, the efforts of organised anti-immigration political parties are supplemented by other groups such as skinheads and neo-Nazis that are proudly xenophobic, nationalistic, anti-Semitic and anti-Muslim.

### CASE STUDY

#### Anti-immigration movements in the United States of America

**Globalisation** has been a significant factor in the rise of anti-immigration movements in the United States. Since the 1980s, US-based **transnational corporations** have been exporting American jobs to countries with **low-cost labour** such as Mexico, China, and Vietnam. The impact of the jobs lost to American workers has fallen disproportionately on African-Americans and Hispanic people, especially those who worked in factories that were closed in deindustrialising cities such as Detroit, Baltimore, Pittsburgh, Chicago, St Louis and elsewhere.

**Anti-immigration sentiments** are highest in those parts of the United States where deindustrialisation has occurred, as this is where the gaps in wealth between rich and poor have grown. Unemployed workers **resent** the arrival immigrants who they see as competitors for scarce unskilled and semi-skilled jobs. The fact that many such immigrants from Latin America are undocumented immigrants who have entered the country without work visas or official processing exacerbates the resentment.

The **largest group** of immigrants in the United States is **Hispanic** (Spanish-speaking) people, also known as **Latinos**. Today, about 15% of the US population is Latino, of whom about 40% are undocumented. About two-thirds of Hispanic immigrants in the US are from Mexico, with other significant source countries being Puerto Rico, Cuba, the Dominican Republic and Guatemala. Most immigrants from Latin America face significant challenges in gaining work because of **language** shortcomings, lack of **educational qualifications** and outright **discrimination**.



**6.19** Urban decay is a consequence of poverty in many districts of US cities with dominant Hispanic immigrant populations, such as the Spring Branch East district of Houston, shown here.

Consequently, those Hispanic immigrants who are employed tend to be over-represented in **unskilled, low-paying jobs** such as house cleaning, labouring, and preparing food or serving in restaurants. Furthermore, Hispanic immigrants in the United States report unusually high rates of **discrimination** in schools and the workplace, with a survey showing 45% of Hispanics in the US believe they are treated with less respect because of their ethnicity, including receiving poorer service in shops, while 30% claim to have been called derogatory names or to have been insulted because of their ethnicity.

As a result of their situation, Hispanics have the highest rates of **unemployment, poverty,** and occupational **segregation** of any group in the United States, and face the greatest **barriers** to upward mobility. During the 2016 Presidential



**6.20** Immigrants from Colombia promote a positive view of their country by organising a booth in a Houston school that shows pictures of the country and highlights Hispanic culture with food giveaways and national dress.

Table 6.2

Immigration policies in the United States  
Presidential election, 2016

Policy	Trump Republican	Clinton Democrat
Build a fence along the US-Mexican border to secure the border and prevent unauthorised immigration	Yes	No
End US citizenship as a birthright	Yes	No
Establish a pathway to US citizenship for unauthorised immigrants	No	Yes
Establish a pathway to legal status for unauthorised immigrants	No	Yes
Mandatory use of electronic verification for visa applications	Yes	Unclear
Make citizenship easier for immigrants who entered the US illegally before 2010	No	Yes

Source: NPR Politics, <http://www.npr.org/2015/11/10/455359422/where-the-2016-candidates-stand-on-immigration-in-one-chart>

election, the situation of immigrants became a significant **election issue** of the campaign, as shown in table 6.2. The victor in that Presidential campaign was Donald Trump (Republican Party), whose stance on immigration was more anti-immigrant than his opponent. This suggests that an **anti-immigrant stance** has become a mainstream facet of American politics.

Not all immigrant groups in the United States are treated as poorly as Hispanics. **Asian Americans** are the third largest immigrant group, making up about 5% of the US population. Of this number, about 22% are from China (including Taiwan), 18% from the Philippines, 15% from India, 10% from Vietnam, 10% from South Korea, and 9% from Japan.

The label 'model minority' is often applied to Asian Americans because they are perceived to have **overcome the discrimination** and prejudice of earlier decades and are now earning **higher wages** and filling more **senior professional positions** than any other ethnic or cultural group. Despite this progress, Asian Americans continue to report **discrimination** against them in areas such as residential segregation, promotions in work and social relationships, although they have not been the target of organised anti-immigration campaigns that Hispanic and Arab immigrants have faced.

## QUESTION BANK 6C

1. Why is immigration a controversial issue in some countries?
2. Using the data in table 6.1, rank the countries shown in descending order of the number of immigrants received per 1,000 people in the country.
3. The countries shown in table 6.1 are the world's top 10 countries when measured by the absolute number of immigrants received per annum. Suggest reasons why these countries accept more immigrants than other countries.
4. With reference to figure 6.15, describe the broad world pattern of immigration and emigration.
5. Describe the perceived threats that cause some people to adopt an anti-immigrant stance.
6. Outline the evidence that suggests anti-immigrant fears may be unfounded.
7. Which groups are the principal targets of anti-immigrant movements in (a) Europe, and (b) the United States?
8. Compare and contrast the rise of anti-immigration movements in Europe and the United States.

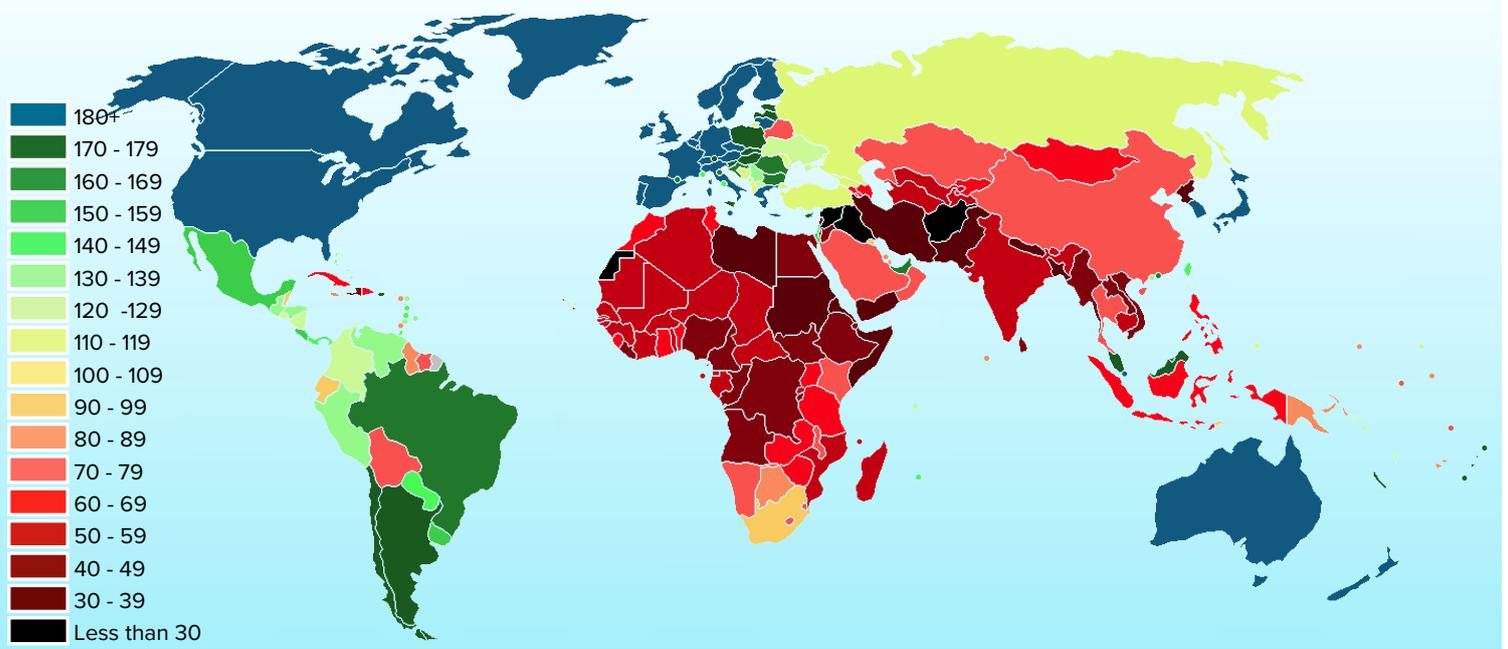
## Geopolitical constraints on global interactions

### Government and militia controls on personal freedoms

As much as people might like unrestricted access to travel, free access to the internet, region-free movies and television, many **governments impose restrictions** on these and other forms of global interactions. In the case of the **movement of money** between countries, the rationale is to restrict large-scale movements of currency that might affect exchange rates or even deplete a country of its currency reserves. In the case of **travel** and **communications**, the rationale has more to do with maintaining political control or preventing the spread of ideas that may be unsupportive of the government.

#### Freedom of movement

The most basic form of personal global interaction is travel. The **right to travel**, which is also known as **freedom of movement** or **mobility rights**, is the right of a person to travel within a country, to travel



**6.21** The number of countries that passport holders from each country can gain visa-free access or visa-upon-arrival, 2019. There are 219 destination countries and territories with separate immigration controls, so the maximum possible score is 218 because passports are not needed for travel within one’s own country.  
Source: Drawn from data supplied by Henley and Partners Visa Restriction Index.

to another country and to return to one’s home country. The right to travel is protected by the constitutions of many countries, and Article 13 of the Universal Declaration of Human Rights states: *“a citizen of a state in which that citizen is present has the liberty to travel, reside in, and/or work in any part of the state where one pleases within the limits of respect for the liberty and rights of others, and a citizen also has the right to leave any country, including his or her own, and to return to his or her country at any time”.*

Ideally, freedom of movement applies to travel for the purposes of **visiting friends of relatives**, for **tourism**, or for **employment**. In practice, the right to travel to another country for employment is usually **restricted** by governments in order to protect local employment, and thus requires a **work**

**visa** issued by the government in which a person wishes to move to work. There are exceptions to this principle, which as within the European Union and between countries that have specific agreements, such as Australia and New Zealand.

Travel for visiting friends and relatives, and for tourism, is generally less severely restricted than travel for employment. Nonetheless, a **passport** is required for most international travel. Although most countries issue passports for periods of five to ten years for travel to any country in world, some countries (such as North Korea) issue passports with a validity that expires at the end of each approved trip. The passports of some countries specifically **prohibit travel** to certain countries, such as several Arab countries, Pakistan and

Bangladesh whose passports are invalid for travel to Israel, while other countries (such as Finland and Syria) will not issue unrestricted passports until a citizen has completed their compulsory military service.

Many countries require **visas** for entry by foreigners. Visas are a form of conditional pre-approval that is usually obtained before arriving in a foreign country, although they are sometimes issued at a country’s point of entry. Visas usually comprise a stamp or a sticker in a



**6.22** Freedom of international movement – a cartoonist’s view.  
Source: - [http://polyp.org.uk/new\\_cartoons/new.html](http://polyp.org.uk/new_cartoons/new.html), which contains additional material that is relevant to this topic.

passport, although an increasing number of countries are introducing e-visas that travellers carry as a separate piece of paper they have printed after applying online. Although many travellers regard visas simply as a revenue generator for governments, those governments that require visas claim that they are a means to check the identities of travellers before their arrival, and therefore represent a valuable security check.

Passports that give their holders **visa-free entry** to a large number of countries are generally regarded as more powerful passports than those requiring visas to enter a large number of countries. Figure 6.21 shows the number of countries that holders of each country's passport can enter without first obtaining visas. The most restricted passport is that of Afghanistan, which can be used to enter only 25 countries without first obtaining a visa. Other passports requiring visas to enter many other countries include Iraq (visa-free entry into 27 countries), Syria (29 countries), Pakistan (30 countries), Somalia (31 countries) and Yemen (33 countries).

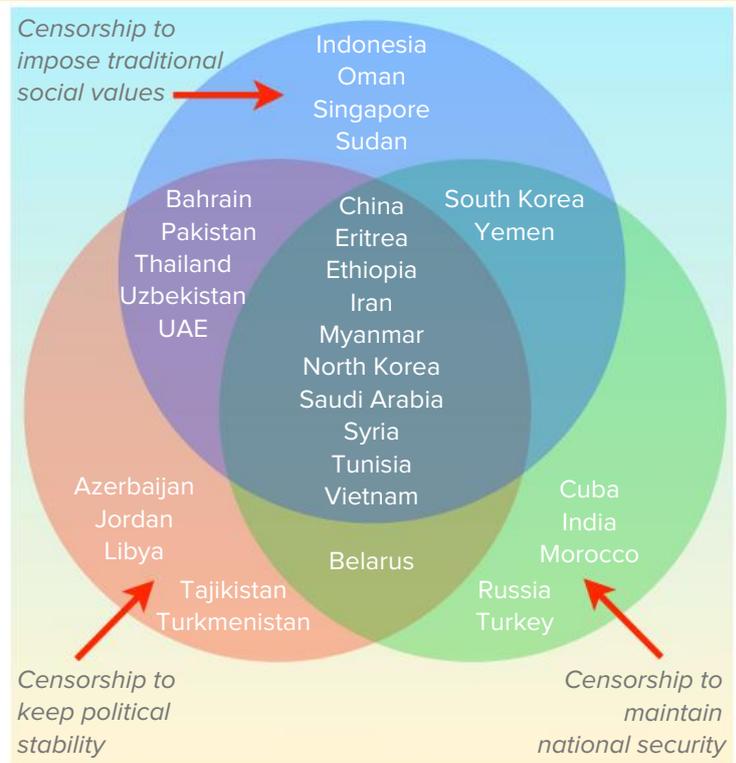
At the other end of the scale, the most **powerful passports** for visa-free entry are Japan and Singapore, each of which secures visa-free entry to 189 countries. These are closely followed by Finland, Germany and South Korea (187 countries), and Denmark, Italy and Luxembourg (186 countries).

### Internet freedom

The governments of some countries prevent people living within the country accessing the full range of websites and services available through the internet. This **internet censorship** blocks certain websites, blogs, social media platforms, search engines, messaging protocols and, in some cases, financial transaction facilities.

In general, internet censorship is mainly implemented by governments that have an **authoritarian** philosophy. As figure 6.23 shows, governments have three **primary motivations** to censor the internet:

- to impose **traditional social values**
- to keep **political stability**
- to maintain **national security**.



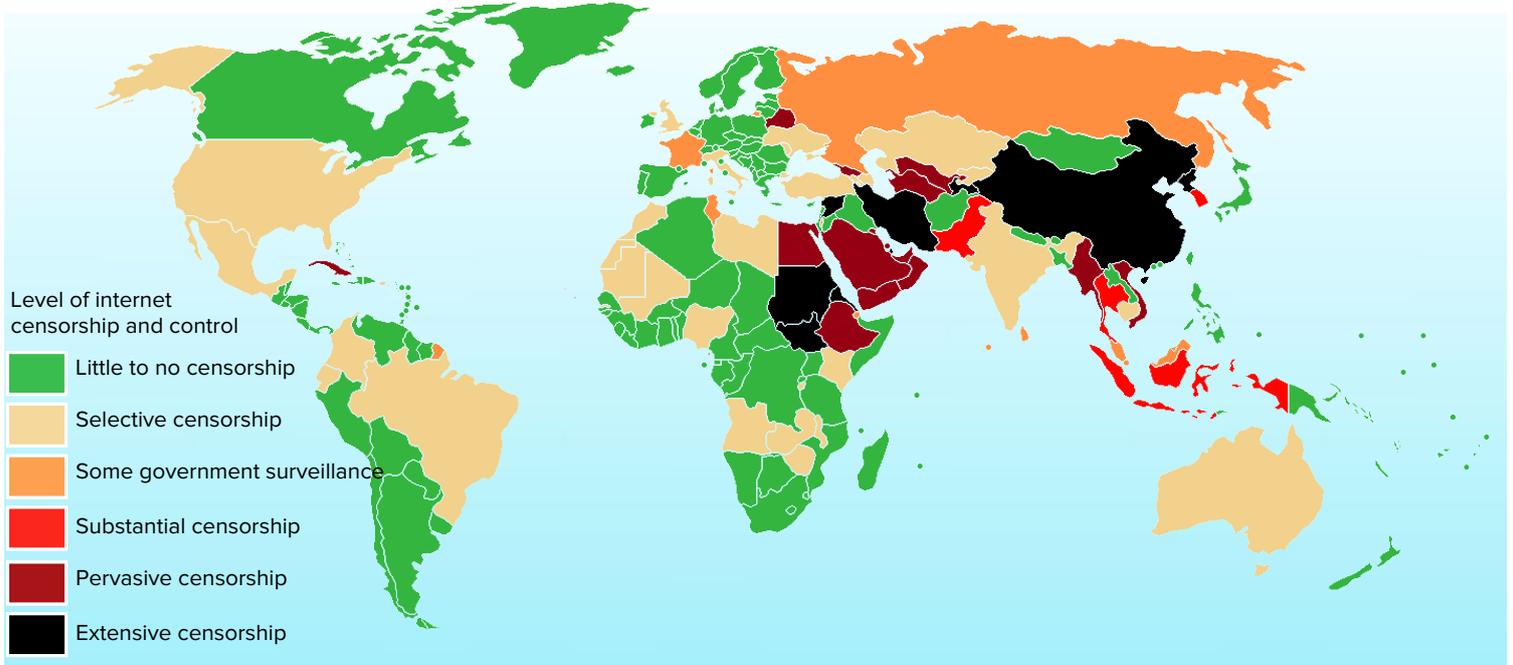
**6.23** Motivations for internet censorship in selected countries. Source: Modified from Le VPN.

For some governments, more than one of these motivations apply, and for the ten countries in the centre of figure 6.23, all three motivations are relevant. The **situations** in each of these ten countries have some unique characteristics:

**China** — Although China has about 780 million internet users who represent almost 25% of all online users, China censors more of the internet than any other country apart from North Korea. Google is banned in China because the company refused to comply with Chinese Government demands that its search engine block certain



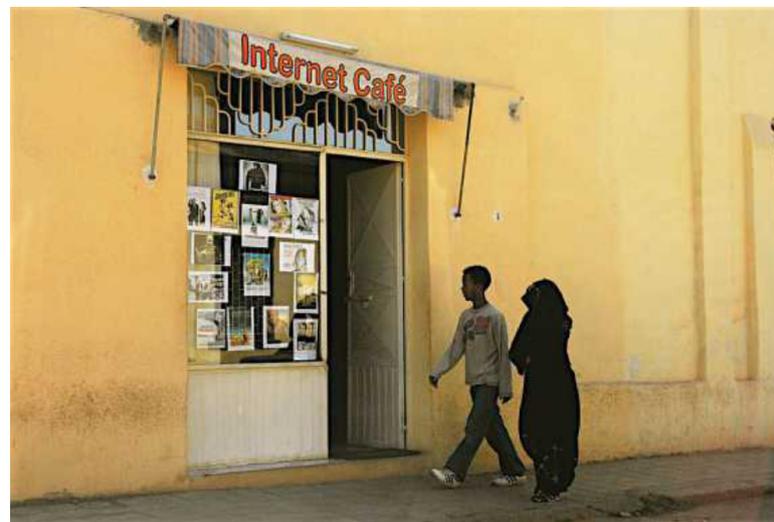
**6.24** Before it was banned over disagreements with the Chinese Government about internet freedom, Google had a substantial presence in China, as shown by this double-deck bus in Beijing promoting Google's online services.



6.25 World distribution of internet censorship, 2019. Sources: Drawn from data supplied by Freedom House, OpenNet Initiative, and Le VPN.

websites that discuss sensitive political subjects such as demands for more autonomy in Tibet, Taiwan and Xinjiang, and the Tian An Men Square incident of 1989. This means that Google’s search engine is blocked, Gmail cannot be sent, Google Drive cannot be accessed, nor can Google Maps, Google Docs, Google Earth, and so on. Known as the Great Firewall of China, other sites that are blocked include YouTube, Facebook, Picasa, Yahoo Taiwan and Yahoo Hong Kong, Instagram, The New York Times, Dropbox, the Economist, TIME, Vimeo, Scribd, Bloomberg, The Independent, Le Monde, SoundCloud, many parts of Wikipedia, and hundreds of other websites. Bloggers who post information that is critical of the Chinese Government risk imprisonment. Government agents monitor internet use, and this leads to a high degree of self-censorship among Chinese internet users.

**Eritrea** — Eritrea’s government has a long history of suppressing free expression by press journalists, and this prevents Eritrean citizens receiving balanced news about events within and outside the country through the media, all of which is government-owned and operated. Eritrea’s government does not allow mobile internet access, and the slow dial-up system that is permitted severely restricts Eritrean interaction with the internet because of slow speeds. For these reasons, and the general poverty within Eritrea, only 7% of the population have mobile phones and less than 1% of the population accesses the internet.



6.26 A typical internet café in Asmara, capital city of Eritrea. Very few Eritreans have access to the internet, but those who have access typically go online in small internet cafés such as this one.

**Ethiopia** — Because of internal political stability, the Ethiopian Government passed a law in 2009 banning the spread of any information that might be seen as supportive of anti-government groups. The government has a monopoly on the telecommunications industry, but the extent and quality of infrastructure remains very poor. Less than 4% of the population has access to the internet, and most of these people connect to the internet through internet cafés in the capital city, Addis Ababa.

**Iran** — Iran’s government censors the internet to protect religious and political beliefs by blocking foreign websites that contain anti-Muslim material,



6.27 An internet café in Esfahan, Iran.

pornography, or information that supports the former regime of the Shah that was ousted in 1979. Bloggers, website-owners and webmasters must all be registered with the Ministry of Art and Culture, and any information that is posted which is critical of the government or its leadership can lead to persecution or imprisonment.

**Myanmar** — The Government of Myanmar blocks websites that expose violations of human rights or which are critical of the current administration. The Government filters e-mail correspondence, social media and any web-based communications that are thought to support dissident groups in the country. Internet cafés must keep records of users and their activity, and these records must be surrendered to the police when requested. The Government has outlawed methods that might circumvent censorship, such as VPNs (Virtual Private Networks).

**North Korea** — As the world's most isolated country, it is not surprising that North Korea censors the internet more than any anywhere else in the world. Only senior government officials and foreign diplomats have access to the internet in North Korea, with the rest of the population having access only to a national intranet of approved websites that were developed in government institutions. Mobile phones were banned for many years, but are now available, and about 7% of the population use them, although data transfer is not permitted by phone.

**Saudi Arabia** — The Government of Saudi Arabia censors the internet by blocking about half a million websites that contain material thought be counter to Islamic religious beliefs. These bans flow from a Royal Decree that prohibits any act that might lead to division and disorder, affect the security of the nation or undermine human rights and dignity. As such, all internet traffic is monitored by the Ministry of the Interior. The Internet Service Unit (ISU) is responsible for maintaining the list of blocked websites and all bloggers and digital news sources must obtain special licences from the Ministry of Culture and Information in order to operate.

**Syria** — Despite the conflict in Syria, the internet continues to function in government-controlled areas. However, internet use is closely monitored by the government, and internet cafés must register users, log their starting and finishing times, and report all activity to government officials. The Syrian Electronic Army (SEA), a pro-government hacking group, routinely infiltrates sites that are critical of the government, and internet users who are caught 'endangering national security' may be arrested and executed. During periods of strife, the government cuts all internet activity in the country to prevent rebels communicating with each other and to control the flow of news and information out of the country. The situation is arguably worse in rebel-held areas, where the Islamic State has reportedly beheaded journalists who file content counter to the leadership's policies and beliefs. Since the outbreak of war in Syria, about two-thirds of ISPs (internet service providers) have gone offline, and many people have resorted to satellite phones or mobile phones imported from Lebanon or Turkey (all of which are illegal in the country) to maintain contact.



6.28 Residents of North Korea get access to the national intranet in the Grand People’s Study House in Pyongyang.

**Tunisia** — The Tunisian Government does not actively block websites, but it does prevent bloggers uploading information that is critical of the government. Most access to the internet in Tunisia is through internet cafés, which must report all blogging activity to the government. Bloggers who write material that is offensive to the government may be arrested and imprisoned. All internet connections in Tunisia are routed through one central server where content is monitored and filtered.

**Vietnam** — The Vietnamese Government allows its citizens to access sites such as Google, Yahoo and MSN only on the condition that those sites provide the Government with a list of all bloggers who use their services. Websites that are critical of the government or communism are blocked, as are sites that advocate for human rights, democracy or personal freedom.

Other countries have **less severe censorship** of the internet. For example, **Turkmenistan** has only one ISP, which is operated by the government, blocks many websites and monitors all e-mail in and out of the country. **Turkey’s** government censors the internet by blocking sites that promote dissident activity or contain objectionable material such as pornography. **Cuba’s** government also monitors all internet traffic in and out of the country. **Australia** requires every ISP to retain records of the metadata of all mobile phone calls and websites visited for a period of seven years, and it requires the blocking of websites such as The Pirate Bay which contain links to torrents that enable downloading of unpaid copyright material.

Many users in countries where the internet is censored circumvent the blocks by using techniques such as **Virtual Private Networks (VPNs)**, which remain legal in most countries. VPNs make internet use anonymous as they access the internet through a server in another country where censorship is not applied.

### CASE STUDY Constraints on global interactions in North Korea

**North Korea** is arguably the most isolated and least globalised nation in the world. It does not provide any access whatsoever to the **internet** for its citizens. The only people in North Korea who can gain access to the internet are foreign diplomats, the senior staff in some foreign trading corporations, and a handful of very senior government administrators. Some students and faculty in universities have access to the internet, but all activity is monitored and many websites such as Facebook, YouTube, Twitter, as well as anything originating in South Korea, are blocked.

For the rest of the population, a **national intranet** known as the *Kwangmyong* is provided. The Kwangmyong was entirely developed within the country by university academics and government officials. It is available to the general population in a small number of major public libraries, such as



6.29 Using the Kwangmyong (national intranet) in the Grand People’s Study House in Pyongyang, North Korea.

the Grand People's Study House in Pyongyang and the Kim Il Sung University Library. The Kwangmyong comprises about 5,000 sites that provide information on national politics and current events from the government's perspective, national history, traditions, culture, economics, science, and technology. The Kwangmyong also provides messaging services, e-mail and social media, all of which are closely monitored by the government.



**6.30** While waiting for their train, commuters on the Pyongyang Metro read newspapers that are provided by the government. All newspapers, magazines, books, and radio and television programs in North Korea are produced by the government.

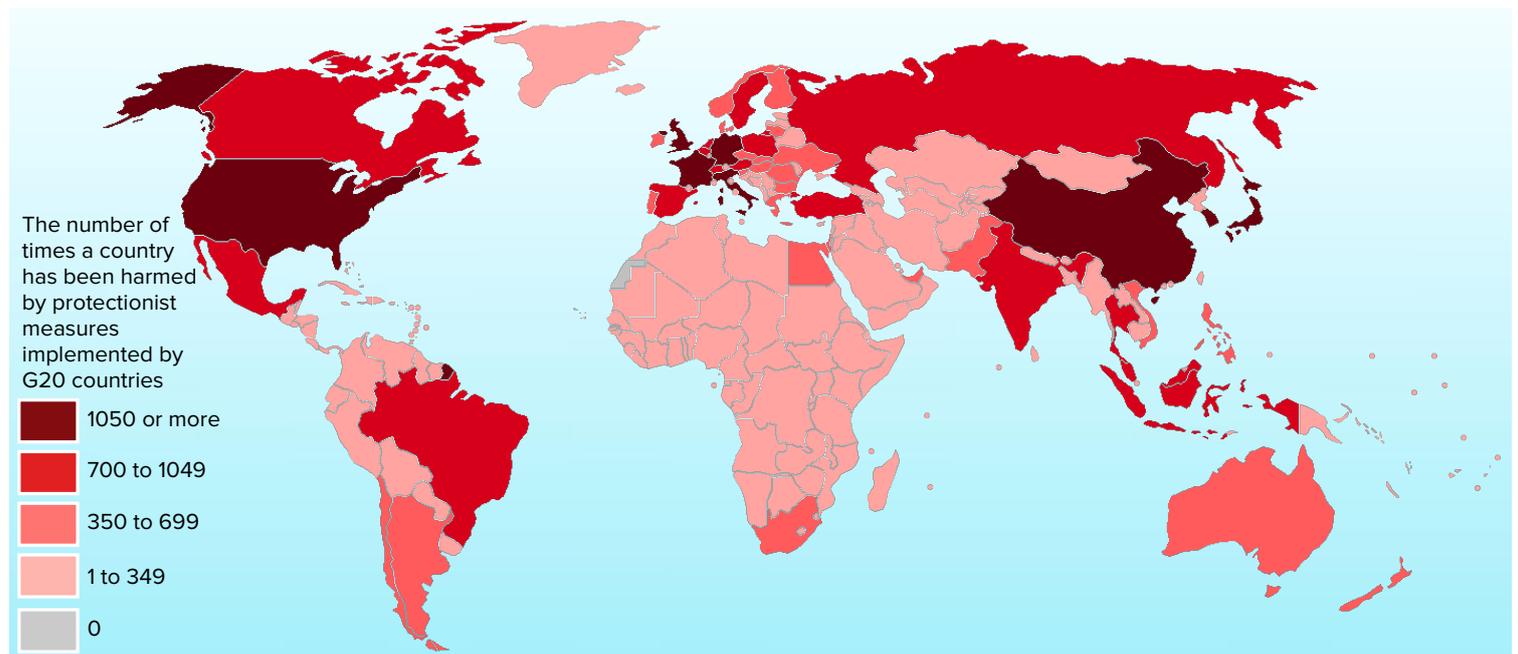
**Access to information** about the outside is restricted in others ways also within North Korea. Although **mobile phones** are no longer banned, they are used only for voice calls (which are

monitored), and they do not carry data. **Modems** and computers containing modems are banned, all **landline telephone** calls are monitored by government operators, **short-wave radios** are illegal, **television sets** can receive just one channel, and the importation of **printed materials** from overseas is prohibited. All printed material in North Korea is government-approved and government-produced. All **news** is released through the government's Korean Central News Agency (KCNA), which is heavily focussed on propaganda that promotes the personality cult of the Country's Supreme Leader, Kim Jong-un.

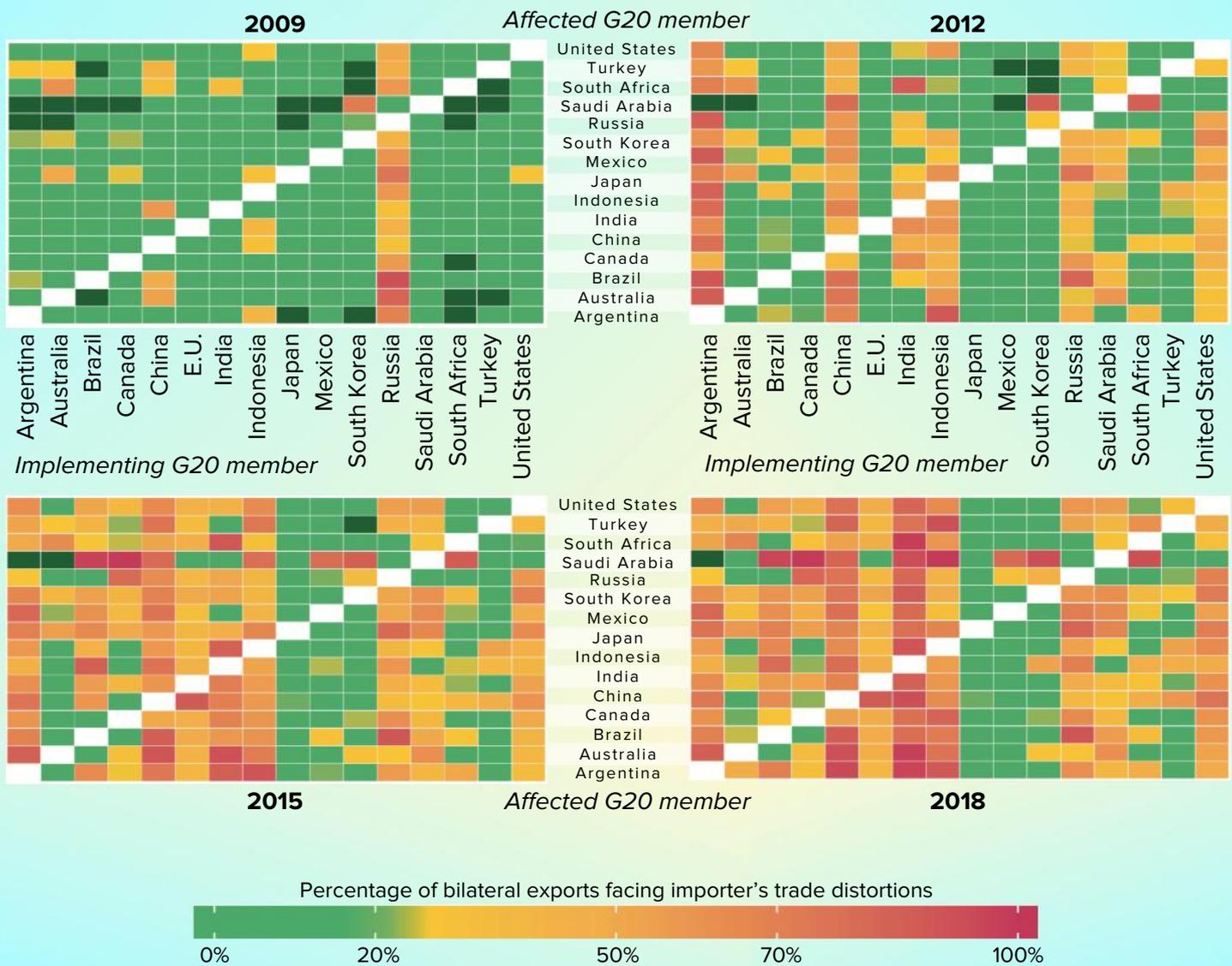
### National trade restrictions

International trade operates through a complex mix of **bilateral** and **multilateral agreements**. While some agreements reduce barriers and promote free trade, others impose **quotas** and **limitations** that **restrict trade** between certain countries or trade in particular goods.

The main barrier used to restrict free trade is the tariff. **Tariffs** are fees and charges that are charged by countries on imported goods coming into a country that are designed to raise the selling price of imported goods compared with locally produced products. Tariffs are often applied **selectively**, with differing rates being imposed on different products according to the level of protection that local industries are given by their government. Another



**6.31** The global incidence of protectionism, 2008 to 2016. Source: Global Trade Alert.



6.32 Trends and impact of trade protectionism among G20 countries, 2009 to 2018. The graph shows how often G20 countries have hurt the commercial interests of other G20 countries by implementing protectionist trading measures. Note that EU includes four G20 countries: France, Germany, Italy and the United Kingdom. Source: Global Trade Alert.

way in which tariffs are applied selectively is applying different tariff rates on imports from different countries, so that imports from more favoured countries have a lower tariff applied to them than imports from less favoured countries, thus making goods from favoured countries more price-competitive than imports from elsewhere.

The aim of tariffs is to **protect domestic industries and jobs**. Critics of tariffs argue that by making imported goods more expensive and thus less price-competitive than they would otherwise be, it **isolates local industries** from the cost pressures of having to compete with more efficient overseas industries. This enables inefficient industries in the home market to **continue operating inefficiently** when tariff-free competition would force them to improve their competitive efficiency.

Tariffs **reduce the choice of goods** available for consumers because they can make imported goods artificially expensive and uncompetitive in the marketplace. They also tend to **hurt producers in developing countries** by making their goods less price-competitive on international markets.

Protectionist trade policies tend to **reduce the volume** of imports and exports traded between countries. This is why one of the conditions of countries joining the WTO (World Trade Organisation) is that they agree to reduce tariffs and commit to tariff-binding, which is confining tariffs to a narrow range.

The G20 countries dominate world trade in both volume and value. As figure 6.32 shows, the G20 countries have adopted **more protectionist trade**

**policies** in the years since the 2008 financial downturn, and the rate of introducing protectionist trade policies is **increasing**. Figure 6.32 shows that the G20 countries that have introduced the **largest levels of trade protectionism** are China, India and the United States, followed by Russia, Brazil and Argentina. The countries that have been most **adversely affected** by this trade protectionism are China and, to a lesser extent, the United States. This suggests that protectionism is being used in a type of trade war that is mainly focussed on the United States and China, especially since the election of President Donald Trump in the United States in late 2016.

### Resource nationalism

Although protection of domestic industries and jobs is the most common motivation for imposing tariffs and quotas on international trade, **resource nationalism** is also a motive for some countries. Resource nationalism is the policy of controlling and retaining a country's national resources by preventing their export or exploitation by transnational corporations, or alternatively ensuring that full financial compensation is paid to a country when natural resources are sold. The usual way for governments to ensure adequate compensation is received when resources are sold is to impose a mining or resource tax.

In some countries, resource nationalism is achieved by **nationalisation of resources**, which occurs when a government takes over resources that were once in the hands of private owners. Resource

nationalisation has occurred in recent years in several countries such as Argentina, Guinea, Zimbabwe, DR Congo and Mozambique. Private investors hate it when nationalisation of resources occurs, and in some cases, it can make investors so nervous that other foreign investors withdraw their funds from the country.

Another expression of resource nationalism occurs when governments **ban the export** of resources. In 2014, Indonesia banned the export of several natural resources including iron ore, copper, nickel and bauxite (aluminium ore). The government's motive was to require mining companies to process more minerals within Indonesia on the basis that processing adds far more value to the product than the simple process of extracting minerals. The move remains controversial as people express concern that the export ban will harm the Indonesian economy by reducing export income and causing unemployment.

In Africa, there is a trend in several countries to **raise taxes** on resources and to **restructure the ownership agreements** of mines in order to ensure adequate revenue flows to the government, and therefore in theory, through to the general population. This is occurring in Mozambique and Guinea, where the aim is to ensure the benefits of natural resources remain within the country rather than flowing overseas to foreign investors. Resource nationalism often gains momentum during periods of national elections in African countries, where politicians have found it is a popular policy with voters.



**6.33** The Freeport-McMoRan gold mine at Grasberg in Papua, Indonesia, is the world's second largest gold mine. As a result of resource nationalism, exports from mines such as this have declined in recent years.

### Trade sanctions

**International sanctions** are actions taken by a country, or a group of countries, against another country as a punishment for political reasons. Sanctions may be imposed unilaterally by one country, or multilaterally, in which case the sanctions may be the result of resolution by the United Nations. Some sanctions are **diplomatic**, such as withdrawing staff from an embassy or closing an embassy, while other sanctions may be **sporting**, such as boycotting a major sporting event.

The most common types of sanctions are **economic sanctions**, or **trade sanctions**, that are imposed on a country to punish it for some action taken by its government, or to force it to change its policy on some matter. Economic sanctions always **restrict trade** in some way. Economic sanctions may prohibit the export of certain types of goods, such as weapons or advanced technology, to a certain country, or it may comprise a blanket ban on all exports to that country. Sometimes sanctions are imposed on a country with exceptions made for humanitarian reasons, in which case exports of medicines or food may be permitted.

Economic sanctions have a **mixed history of success** in achieving the goals of the country or countries imposing them. In the last decades of the 20th century, many countries imposed long-running international sanctions on **South Africa** and **Zimbabwe** in an attempt to break down those countries' systems of **apartheid** (racial separation and discrimination). Whether the sanctions played an effective part in bringing apartheid to an end in South Africa and Zimbabwe is still debated.

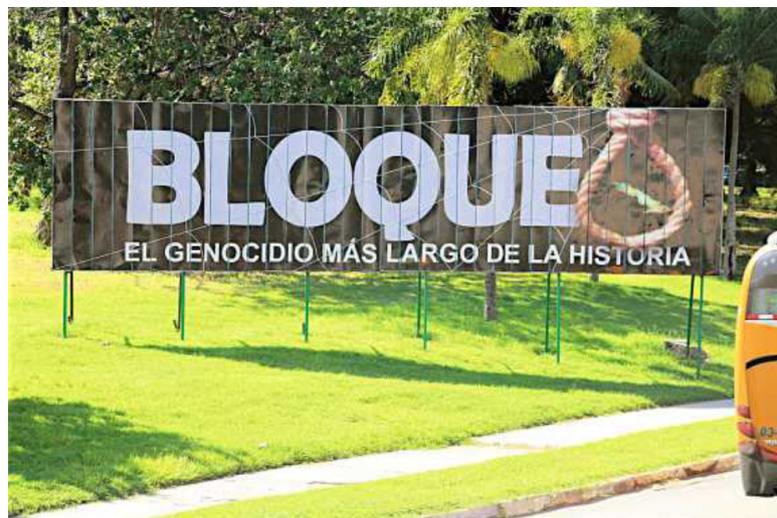
One of the longest-running set of sanctions has been imposed unilaterally by the United States on **Cuba**. Known in Cuba as *el bloqueo*, or 'the blockade', sanctions were introduced in stages in an attempt to cause hardship among Cubans that might motivate them to rise up and overthrow the Communist regime led by Fidel Castro. The first sanctions were introduced in 1958 when the export of **armaments** was banned. In 1961, following the Cuban government's forced nationalisation of US-owned oil refineries, the sanctions were expanded to ban the export of **all goods** from the United States to Cuba **except for food and medicines**. Following the Cuban missile crisis in 1962, the

sanctions were extended to become a **complete ban** on US exports to Cuba. Legislation was introduced that prevented any US citizen doing business with Cuba, including sending or receiving money.

As a result of the sanctions, Cuba was forced to look elsewhere for **trading partners**. Until the collapse of the Soviet Union in 1991, Cuba's main trading partners were **fraternal socialist countries** in Eastern Europe, Ethiopia, Angola, Nicaragua and Mozambique. Following the fall of the Berlin Wall, Cuba's ties with **Western European countries, China, Venezuela and Canada** strengthened. However, many of the goods produced in those countries contained American parts or technology, and therefore were subject to the US sanctions. Even the export of spare parts for US products imported before the sanctions were banned, which



**6.34** It is estimated that about 60,000 old American cars from the 1940s and 1950s are still driven on Cuba's roads because of the US sanctions on importing new cars. Compared with newer cars, they use large quantities of fuel and emit significant air pollution.



**6.35** A roadside sign in Havana, Cuba, proclaims (in Spanish) "The blockade is the longest genocide in history", and shows a map of Cuba being strangled in a noose.

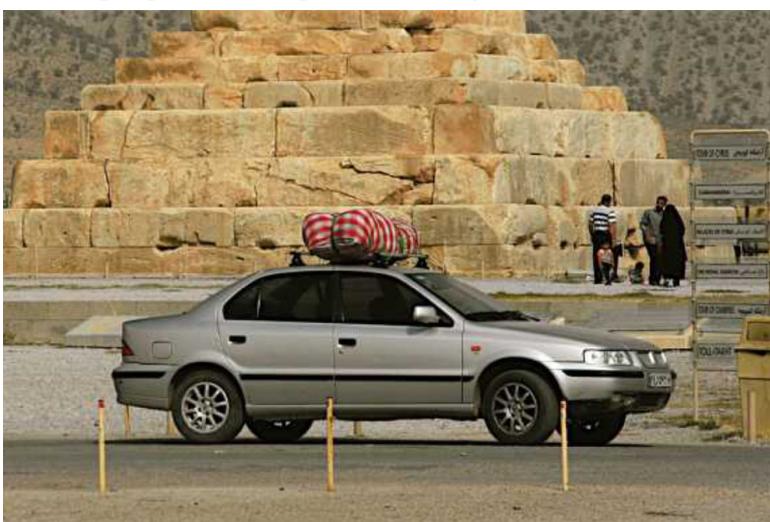
explains why so many **old American cars** made in the 1940s and 1950s remain on the roads in Cuba.

The sanctions were softened slightly in 2000 when a few humanitarian exports were permitted, but despite the re-establishment of diplomatic relations between the United States and Cuba in 2016, and an easing of the travel ban that constrains visits by US citizens to Cuba, the economic sanctions remain in place.

Another set of long-running sanctions has restricted trade between **Iran** and many Western countries. Following the Iranian Revolution in 1979 that overthrew the US-backed Shah and installed an Islamic Government, the **United States** imposed economic sanctions, expanding them in 1995 to cover any firm in any country that had dealings with the Iranian government. As Iran expanded its nuclear program, the **United Nations** also imposed sanctions against Iran in 2006, obliging all member states to avoid trade deals that involved the Iranian government.

As was the case in Cuba, sanctions cause significant **hardships** for Iran's population, many of whom live in poverty despite the rich oil reserves in Iran. The ban on spare parts for machinery has caused particular problems, forcing Iran to continue flying decades old second-hand airliners and assemble its own cars using old technology from the UK and France that leads to high rates of air pollution and high rates of fuel consumption.

**United Nations** sanctions against Iran were lifted in 2016 when Iran agreed to limit its nuclear programs for a period of ten years. This enabled



**6.36** An IKCO Samand car, made in Iran using locally manufactured parts based on old Peugeot technology from France.



**6.37** The Iranian government responds to US sanctions by spreading widespread anti-US propaganda, such as this officially sanctioned siding on a high-rise building in the country's capital city, Tehran. In spite of the government's stance, a large majority of Iranian people are fiercely pro-American.

exports of new machinery, cars, aircraft and other goods to begin flowing into Iran, easing the hardship for the local population for a short period until the sanctions were re-imposed by the US in 2018. The **United States** continues to ban the sale of arms and high technology goods (such as aircraft) to Iran, and requires any sale of goods to Iran to obtain a special licence from the Treasury Department. United States sanctions against Iran also make it very difficult for Iran to **export its oil** to the world market, which has **weakened the value** of Iran's currency, perpetuates a **weak economy** in Iran, and encourages widespread **smuggling operations** for both imports into and export from Iran of many types of goods.

**North Korea** is the target of more economic sanctions than any other country in the world. The United Nations has imposed bans on the export of **military equipment** to North Korea since it began testing nuclear weapons in 2006, and these sanctions have been **expanded** to include bans on money transfers, gold, titanium, rare earth minerals, coal and iron ore in an attempt to exclude North Korea from world financial markets. Several countries and groups of countries such as the United States, South Korea, Japan and the European Union have imposed **additional specific sanctions** to limit trade.

Although the sanctions cause **hardship** for the people of North Korea, such as energy shortages, restricted choice of food and lack of consumer



**6.38** The Kwangbok Department Store in Pyongyang, North Korea, is the first Chinese-Korean joint venture shop in the country, selling local and imported consumer goods.



**6.41** North Korea has begun manufacturing its own cars in an attempt to overcome trade sanctions. This example is a Pyonghwa (meaning 'Peace') sedan, assembled from parts supplied by the Chinese Brilliance Auto Group in a joint venture factory in Nampo that is owned jointly by Pyonghwa Motors of South Korea, Sun Myung Moon's Unification Church in South Korea, and the North Korean Government.



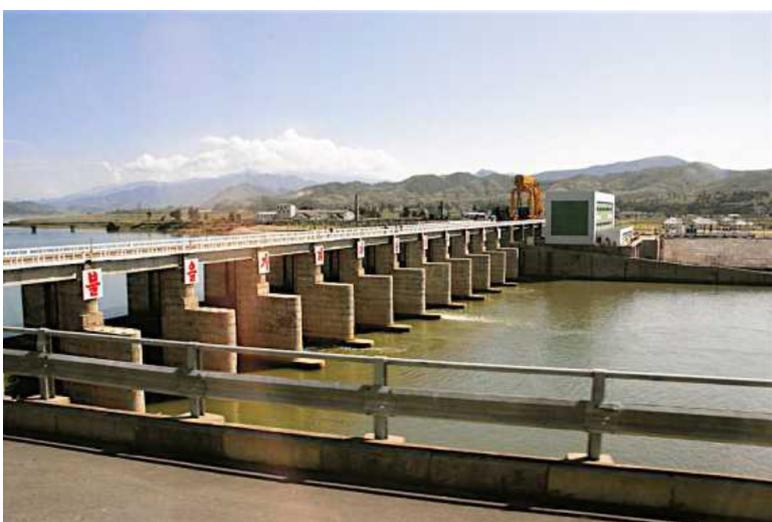
**6.39** As a way to overcome some of the impact of trade sanctions, the Kwangbok joint-venture has been very popular with residents of Pyongyang.

For its part, the North Korean government has worked to address the energy shortage by building large numbers of **small hydro-electric** power plants on the country's rivers in mountainous areas, and enabling the large-scale importation of consumer goods from China. In a further effort to overcome the impact of sanctions upon its people, the North Korean government has eased some of its **foreign investment** regulations to allow a limited number of **joint venture operations** with foreign companies, especially those from China.

goods, most North Koreans seem to remain stoic and **blame the foreign governments** that have imposed the sanctions rather than the leadership of their own country.

**QUESTION BANK 6D**

1. *What is 'freedom of movement'?*
2. *Why do some countries restrict freedom of movement?*
3. *Using the information in figure 6.21, describe the world pattern of freedom of movement.*
4. *Suggest reasons for the global pattern of freedom of movement shown in figure 6.21.*
5. *With reference to figure 6.23, explain why some governments censor the internet.*
6. *Using the map in figure 6.25, identify the types of countries that engage in substantial, pervasive and extensive censorship of the internet.*
7. *Choose three of the countries that censor the internet because of a combination of the three motives shown in figure 6.23, and then compare and contrast the ways in which they control personal freedoms to participate in global interactions.*



**6.40** A new mini hydro-electric weir on the Taedong River near Mount Myohyang, North Korea.

8. How are tariffs and quotas used to restrict trade between countries?
9. Describe the world pattern of trade protectionism shown in figure 6.31.
10. With reference to figure 6.32, describe the overall trend in protectionist activity among G20 countries since 2009.
11. Identify two countries that strongly illustrate the trend you described in your answer to the previous question, and two countries that have countered the overall trend.
12. With reference to figure 6.32, identify (a) the three G20 countries that implemented the most protectionist measures between 2009 and 2018, (b) the three G20 countries that were implementing the fewest protectionist measures in 2018, and (c) the G20 country that was most affected by the protectionist measures of other countries in 2018.
13. Outline the advantages and disadvantages of tariffs as a method of restricting trade.
14. What is 'resource nationalism', and how does it differ from 'resource nationalisation'?
15. Outline the advantages and disadvantages for a country that engages in resource nationalism.
16. What are 'trade sanctions', and why do some governments impose them on other countries?
17. Compare and contrast the ways in which sanctions have restricted trade for Cuba, Iran and North Korea.
18. In your considered opinion, how effective are trade sanctions as a mean to achieve change in the target countries? Give reasons and examples to support your answer.

### The role of civil society in promoting international-mindedness

**Civil society** comprises all the groups and organisations that reflect and express the will of the general public. **Civil society organisations** are the non-government organisations and institutions that operate in the space between the family or household, government and businesses to work in the interests of a population. Civil society organisations include academic societies, activist groups, charities, clubs, community organisations, consumer advocacy groups, co-operatives, foundations, political parties, professional associations, religious organisations, social

enterprises, support groups, trade unions and voluntary organisations.

Civil society organisations may be a component of **social movements**, but they are also entities that exist independently of them. The most common forms of civil society organisations are NGOs, INGOs, TANs and trade unions.

- **NGOs** (non-government organisations) are issue-driven, non-profit institutions that are separate from, although not necessarily independent of, the state.
- **INGOs** (international NGOs) such as Oxfam, Care International and Catholic Relief Services, are usually focussed on broad-based development issues and human rights.
- **TANs** (transnational advocacy networks) are cross-border co-operative affiliations between civil society organisations that bring together groups with common purposes, causes, ideas and values to advocate for principled social change on issues such as women's rights, health rights, environmental rights and upward harmonisation of working conditions.
- **Trade unions** are associations that organise, mobilise and advocate on behalf of workers to protect and enhance their rights and conditions.

**Transnational activism** is the collective name given to the process that occurs when civil society organisations and transnational advocacy networks operate across national borders to improve social justice and human rights. Among the **causes** of transnational activists are civil rights for racially, ethnically and culturally disempowered groups, labour rights for workers, health and safety rights for consumers, indigenous rights, women's rights, LGBTIQ rights, disabled people's rights and rights for people who are persecuted because of their religion.

The **World Social Forum** (WSF) began in 2001 in the Brazilian city of Porto Alegre as an **annual meeting** of civil society organisations from around the world. By bringing together activist groups from many countries, the WSF hopes to **counter hegemony** (excessive power by governments or corporations), helping to form an **alternative future** direction for the world that embraces anti-hegemonic globalisation – the antithesis of neoliberal globalisation.



**6.42** Socially progressive activists attending the 2011 World Social Forum in Dakar, Senegal, march through the streets of the city to publicise their agenda of anti-hegemonic globalisation. A total of 75,000 people from 132 countries attended this meeting, which involved some 1,200 activities.

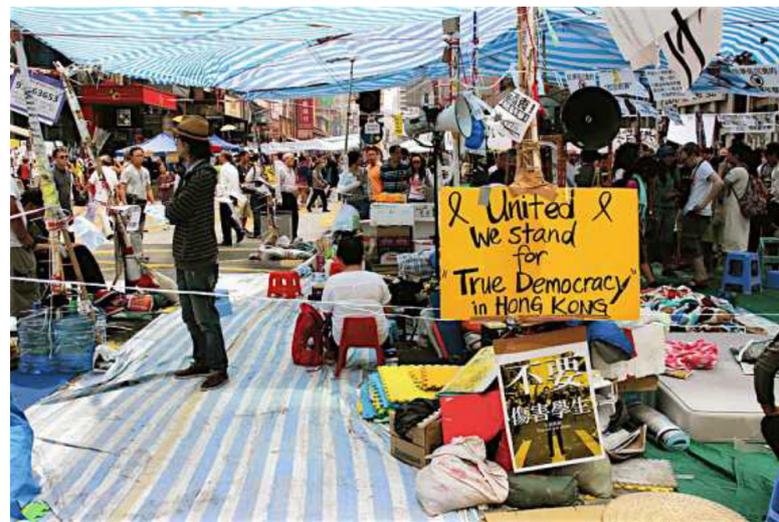
WSF meetings have been held annually since 2001, and they typically attract between 75,000 and 150,000 attendees. In the beginning, it was common opposition to neoliberalism that motivated the many diverse civil society organisations to meet, but over time, the focus has shifted from simple opposition to developing alternative future pathways. The charter of the WSF sums up its position: “The World Social Forum is an open meeting place for reflective thinking, democratic debate of ideas, formulation of proposals, free exchange of experiences and interlinking for effective action, by groups and movements of civil society that are opposed to neoliberalism and to domination of the world by capital and any form of imperialism, and are committed to building a planetary society directed towards fruitful relationships among Humanity, and between it and the Earth.”

### CASE STUDY Pro-democracy demonstrations in Hong Kong

In 1984, the United Kingdom reached an agreement with China to pass **control of Hong Kong**, which was then a British colony, to China on 1st July 1997. Under the agreement, Hong Kong would become a **Special Administrative Region (SAR)** of China. As an SAR, Hong Kong would be permitted to retain its own immigration system, legal system, currency, capitalist market system, and government services

for a period of at least 50 years under a system known as “*One Country, Two Systems*”. Under the Hong Kong Basic Law, which was the SAR’s constitution, the British Governor would be replaced with a Chief Executive, initially to be elected by a 1,200 member Election Committee. Under Article 45 of the Basic Law, “*the ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures*”.

In the period since 1997, many people in Hong Kong have become frustrated at the lack of progress made towards **the democratic ideal** of ‘one person, one vote’. The election of the Chief Executive is especially contentious for many Hong Kong people who believe that the 1,200 member Election Committee is heavily weighted towards people who support the national government in Beijing,



**6.43** Protesters in Mong Kok block an intersection to campaign for democracy in Hong Kong.



**6.44** Posters in the MTR (Hong Kong’s Metro) call for democracy, highlighting the symbol of the yellow umbrella.

and that this works against the best interests of the people of Hong Kong. Therefore, many Hong Kong people believe that their freedoms are being restricted by excessive influence from Beijing.

From September to December 2014, frustration with Hong Kong's restricted freedoms erupted into a series of **sit-in street protests** that became known as the **Umbrella Movement** or the **Umbrella Revolution**. The protests began when the Standing Committee of the National People's Congress in Beijing released a decision which Hong Kong people perceived as **postponing full democracy** by pre-screening candidates for the position of Chief Executive, meaning that only a pro-Beijing candidate could be appointed.

The protests began in late September 2014 as **students** protested peacefully outside government headquarters and began a campaign of **civil disobedience**. The number of protesters grew, and

within a few days, protesters sitting in the streets were blocking major roads and intersections. When the police tried to break up the protests using tear gas, the number of protesters swelled even further.



6.47 Connaught Road Central in Admiralty during the daytime. Many protesters left their tents erected but went off to work.



6.45 Barricades close off Sai Yueng Choi Street in Mong Kok in the Kowloon district of Hong Kong.



6.48 Connaught Road Central in Admiralty during the evening. Crowds swelled every night as people came to hear speeches.



6.46 Protesters occupy Connaught Road Central in the Admiralty district on Hong Kong Island.



6.49 A pro-democracy protester holds up signs to express his viewpoint.



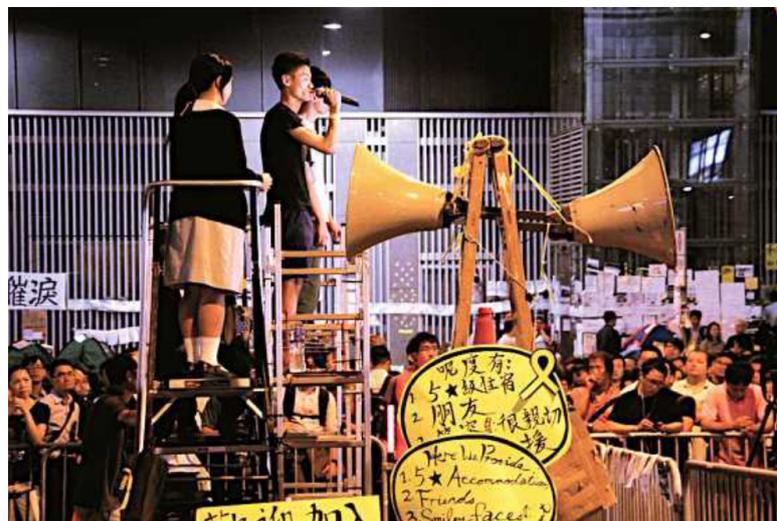
6.50 Hong Kong residents express their pro-democracy viewpoints on thousands of post-it notes on the stairs to the Central Government Offices in Admiralty.



6.52 Pro-democracy demonstrators gather outside Admiralty centre in the evening to hear speeches by students and pro-democracy activists.



6.51 Hong Kong residents walk along an overpass on Connaught Road Central in the evening, passing a copy of the TIME magazine cover describing the Umbrella Revolution.



6.53 University and high school students speak to the assembled crowd of thousands of people, leading protests in the streets of Admiralty.

On 1st October 2014, which was China's National Day, protesters attended the special flag raising ceremony, but turned their backs to the Chinese flag as it was raised to express their discontent about lack of freedoms granted by the government in Beijing. One district counselor opened a **yellow umbrella** in protest, and before long, yellow umbrellas had become a symbol of the protest movement. The umbrellas also proved useful as practical protection from the rain in Hong Kong's humid climate. Having become a **symbol of protest**, journalists were banned from carrying umbrellas despite heavy rain falling in nearby Macau when ceremonies were held there to celebrate the 15th anniversary of returning to China in December 2014.

Mirroring the claims of government officials in Beijing, pro-Beijing media outlets in Hong Kong

began **accusing the protesters** of acting illegally, violating the law and being slaves to the directives of foreign interests that wanted to weaken Hong Kong's position as part of China. Although the protests were initially organised and led exclusively by students, other pro-democracy activists joined the demonstrations. Nonetheless, **students from universities and high schools** continued to play the major role of public speaking. To support the students as they led the protests, special areas were set up with desks and wifi in the streets for students to do their **homework**, and many **teachers and university lecturers** voluntarily spent many hours at the protest sites helping students keep up with their studies.

In 2017, Carrie Lam, another **pro-Beijing politician**, replaced CY Leung as Chief Executive. Pro-democracy demands continued to grow, and in



**6.54** Student protesters on Connaught Road Central take time out from demonstrating to do their homework and study in a special wi-fi equipped enclosure set aside for the purpose.

2019 demonstrations lasting many months broke out as Hong Kong residents became increasingly hostile to the **erosion of local autonomy** with the expansion of Beijing's power and influence in Hong Kong. Some of the protests brought almost two million people into the streets (about 25% of the total population) to attend rallies and meetings.

**Social media** played a key role in **publicising** the protests and **encouraging** more demonstrators to take to the streets. Protesters used Facebook to **plan** and **publicise** the timing of demonstrations, **select** the lectures at university that would be missed, and to **share** photos and observations from the protest sites. Social media sites such as Facebook were also used to conduct **flame wars** with family members and friends who took opposite sides in the protests.

In 2019, police responses escalated with the use of tear gas, rubber bullets and water cannons. As a response to police brutality, protesters used a **mobile app** called HKmap.live to track police movements. In response to complaints from the Chinese Government in Beijing, **Apple** withdrew the app, causing outrage among many Hong Kong residents who felt that Apple gave in to Chinese pressure to impose censorship, thus **abandoning** its claimed commitment to free expression and basic human rights.

Unfortunately for Hong Kong's population, **no additional freedoms** have been granted as a result of the demonstrations in either 2014 or 2019. Rather, Hong Kong authorities have publicly condemned protesters using **provocative labels**

such as 'separatists', 'rioters' and 'terrorists' in an effort to undermine their credibility.

Elections in Hong Kong still do not reflect the principle of universal suffrage, *one person - one vote*.

### CASE STUDY

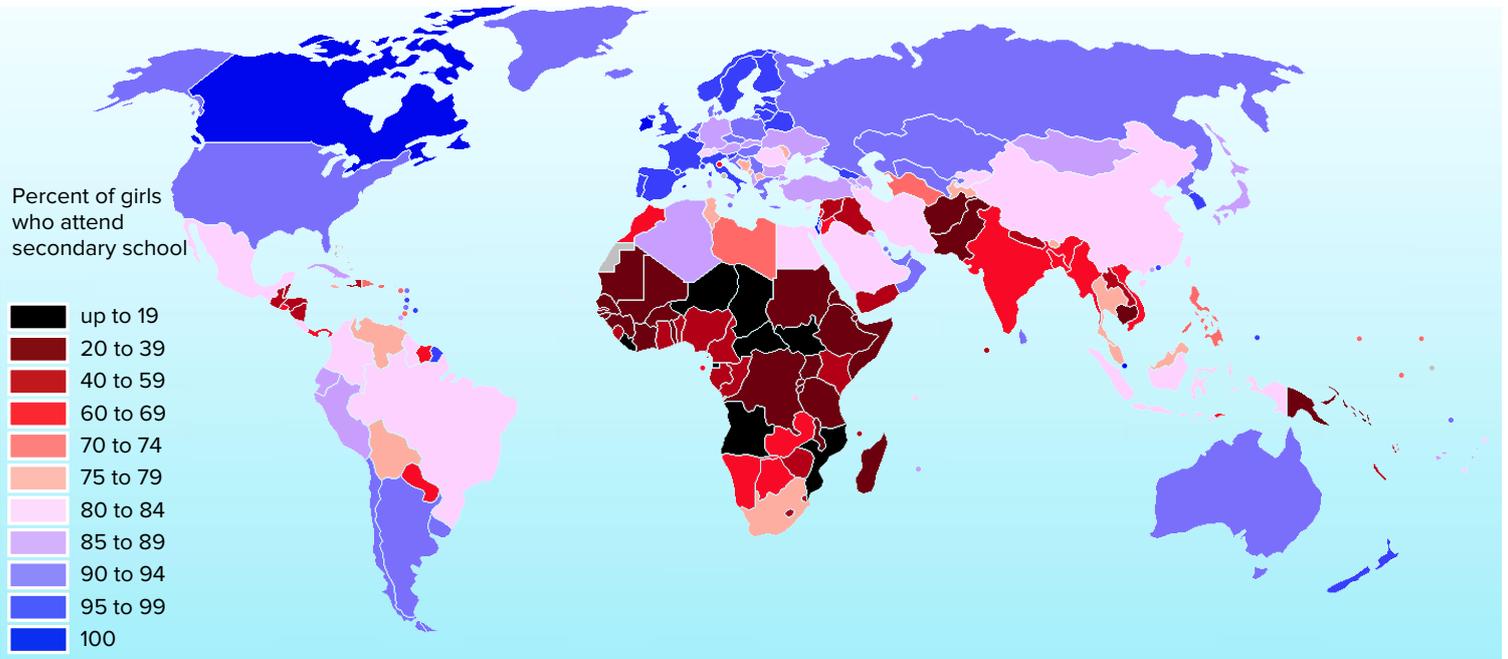
#### The Malala Fund and education for girls

In many parts of the world, girls face one of the most significant restrictions to their freedom imaginable, which is the **freedom to be educated**. The **right to education** is a fundamental universal human right that is enshrined in the Universal Declaration of Human Rights (Article 26) and the United Nations International Covenant on Economic, Social and Cultural Rights (Articles 13 and 14). The right to be educated applies to boys and girls equally, and so when education is denied to girls, it violates their basic freedom.

As figure 6.56 shows, **girls are under-represented** in schools in many parts of the world. Africa has the greatest under-representation of girls in school, with South Sudan ranking at the bottom with only 4% of girls attending secondary school. Other regions where girls are less likely to receive an education than boys are South Asia, parts of South-East Asia, island nations of the South-west Pacific and most countries in the Middle East. According to UNESCO statistics, about 32 million primary school aged girls do not attend school, while for



**6.55** Although this primary school in Tari, Papua New Guinea, is open to boys and girls, over 90% of the students are boys because parents keep their daughters at home to help with farming activities such as growing crops and raising pigs. In this society, education is seen by many parents as being relevant only for boys.



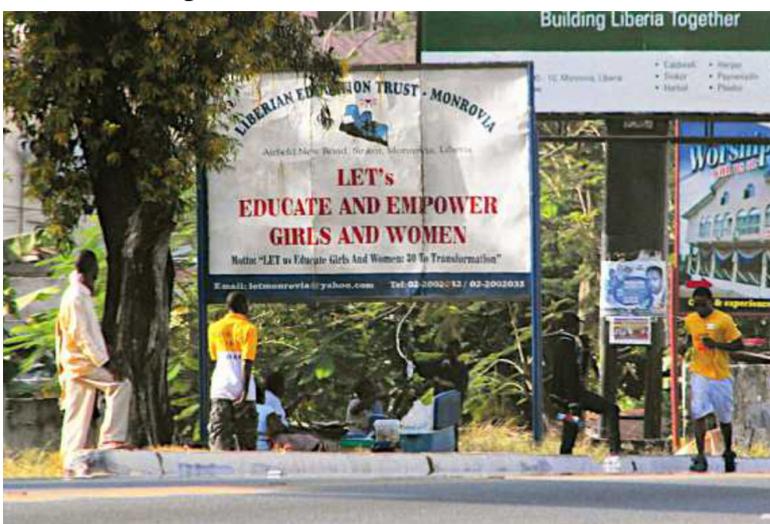
**6.56** The percentage of school-aged females who attend secondary school, 2018.  
Source: Drawn from United Nations Educational, Scientific, and Cultural Organization ( UNESCO ) Institute for Statistics data.

secondary school aged girls the number is about 98 million. This figures represent a vast pool of human talent that remains underdeveloped.

The restricted freedom of girls to receive education is not just a problem for the girls themselves; society in general suffers when a large proportion of its population remains **unskilled, illiterate and innumerate**. Research has shown that the single most effective way for a country to break out of its vicious cycle of poverty and underdevelopment is to **educate its girls**. Educated girls marry later, have fewer children, are less vulnerable to diseases such as HIV / AIDS, expand a family’s earning capacity, and diversify the perspectives in decision-making teams.

The biggest barriers to girls’ education are traditional **cultural attitudes** that view girls primarily as farm labourers and bearers of children rather than intelligent decision-makers. For families with limited financial resources, these attitudes mean that boys are likely to be favoured to receive an education while girls are kept at home, and often married at a young age.

Although the problem of girls’ exclusion from educational opportunities has been recognised for many years, **civil society organisations** have only recently begun harnessing the power of social media and the internet to try and address the issue. One civil society organisation that is confronting the challenge of girls’ participation is the **Malala Fund**.



**6.57** Liberia has one of the world’s lowest rates of girls’ education, with only 15% of girls attending secondary school. This sign in the country’s capital city, Monrovia, advocates for more girls’ education and empowerment of women.



**6.58** A roadside sign near Ouidah, Benin, proclaims (in French) “All girls at school”.

The Malala Fund is named after **Malala Yousafzai**. Malala was born in 1997, and was raised in the Swat Valley in north-west Pakistan, a region where girls were traditionally less likely to be educated than boys. Her father ran a number of schools that fought this tradition by educating girls (including his daughter, Malala) alongside the boys.

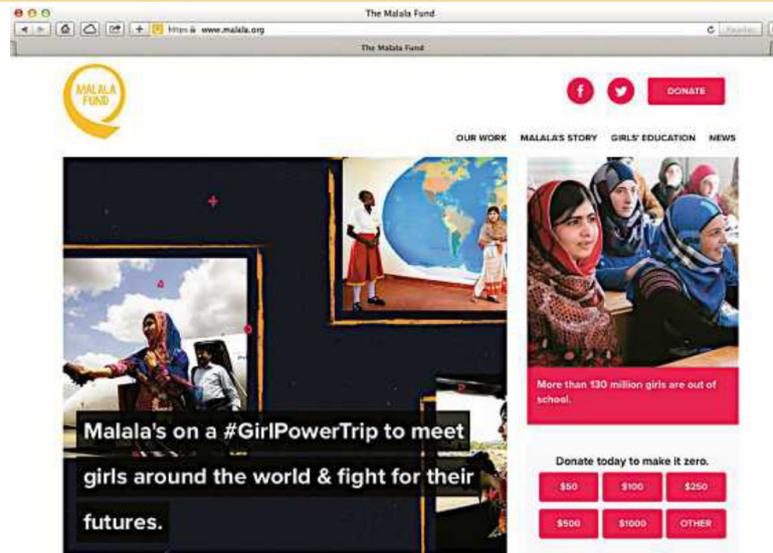
The **Taliban** occupied the area where Malala lived, and in 2009 issued an edict that girls must no longer attend school. The Taliban backed up this edict by blowing up or setting fire to more than a hundred schools where girls were attending classes.

In 2012, a Taliban gunman attacked Malala and some other girls, attempting to kill them to enforce the Taliban ruling that girls should not receive education. Although the gunshots seriously wounded Malala, she survived and went on to become a symbol of girls' defiance in their passion to be educated.

Now living in the United Kingdom, where she was taken to receive medical treatment after the shooting, Malala has become a prominent **activist for girls' education**. In 2013, at the age of 16, Malala addressed the United Nations on the importance of educating girls, and in 2014 she was co-recipient of the Nobel Peace Prize.

The **Malala Fund for Girls' Education** was launched in late 2012, one month after Malala was shot by the Taliban, by a coalition of NGOs including UNESCO and Vital Voices, a US-based international, non-profit NGO that works with female leaders in the areas of economic empowerment, women's political participation, and human rights. The objective was to raise funds that would be used to promote girls' education and provide new opportunities for girls to attend school.

In 2013, the Malala Fund made its first grant, which went to an organisation in Pakistan to support the education of 40 girls aged 5 to 12 who would otherwise have been forced into domestic labour. The organisation receiving the funds was not named publicly because of fears the Taliban would attack it. On Malala's 18th birthday in July 2015, she opened a school for Syrian refugees in the Beqaa Valley of Lebanon that educates girls aged from 14 to 18; this school was financed by the Malala Fund.



6.59 Home page of the Malala Fund website.

As a global civil society organisation, the Malala Fund uses **social media** and communication through the **internet** extensively. The Fund has its own **website** ([www.malala.org](http://www.malala.org)), **Facebook** page ([www.facebook.com/MalalaFund](http://www.facebook.com/MalalaFund)), **Twitter** feed ([twitter.com/MalalaFund](http://twitter.com/MalalaFund)), **Instagram** site ([www.instagram.com/malalafund/](http://www.instagram.com/malalafund/)), **YouTube** channel ([www.youtube.com/user/MalalaFund](http://www.youtube.com/user/MalalaFund)), and **blog** ([blog.malala.org](http://blog.malala.org)), and donations are accepted online through the Fund's website.

### QUESTION BANK 6E

1. Explain what is meant by the term 'civil societies'.
2. Give some examples of civil societies that you think are highly effective, and explain why they are effective.
3. What evidence is there that civil societies are promoting international-mindedness and participating in global interactions?
4. Describe ways in which restricted freedoms in Hong Kong were challenged during the protests of 2014, and evaluate their effectiveness.
5. With reference to figure 6.56, describe the broad world pattern of girls' participation in secondary education.
6. Why is under-representation of girls in schools a problem?
7. Describe the work of the Malala Fund in trying to gain greater freedom for girls to be educated, mentioning especially the barriers it faces in this work.



# Section 3

## Global risks and resilience

Maseru, Lesotho



7.1 Buyers look through hundreds of pirated CDs, DVDs and VCDs on sale in the market in Georgetown, Guyana.

## Threats to individuals and businesses

In past centuries, the main threats to individuals and businesses as they engaged global commerce were **physical** (such as an ocean storm causing a shipwreck), **economic** (such as bandits stealing a shipment) or **political** (such as an armed militia or a hostile government confiscating property, or perhaps even imprisoning or executing traders). Although such threats are still present, as we see with piracy off the coast of Somalia, significant new threats are emerging which are more subtle and technologically advanced. These threats are

collectively grouped in the category of cybersecurity.

### Cybersecurity

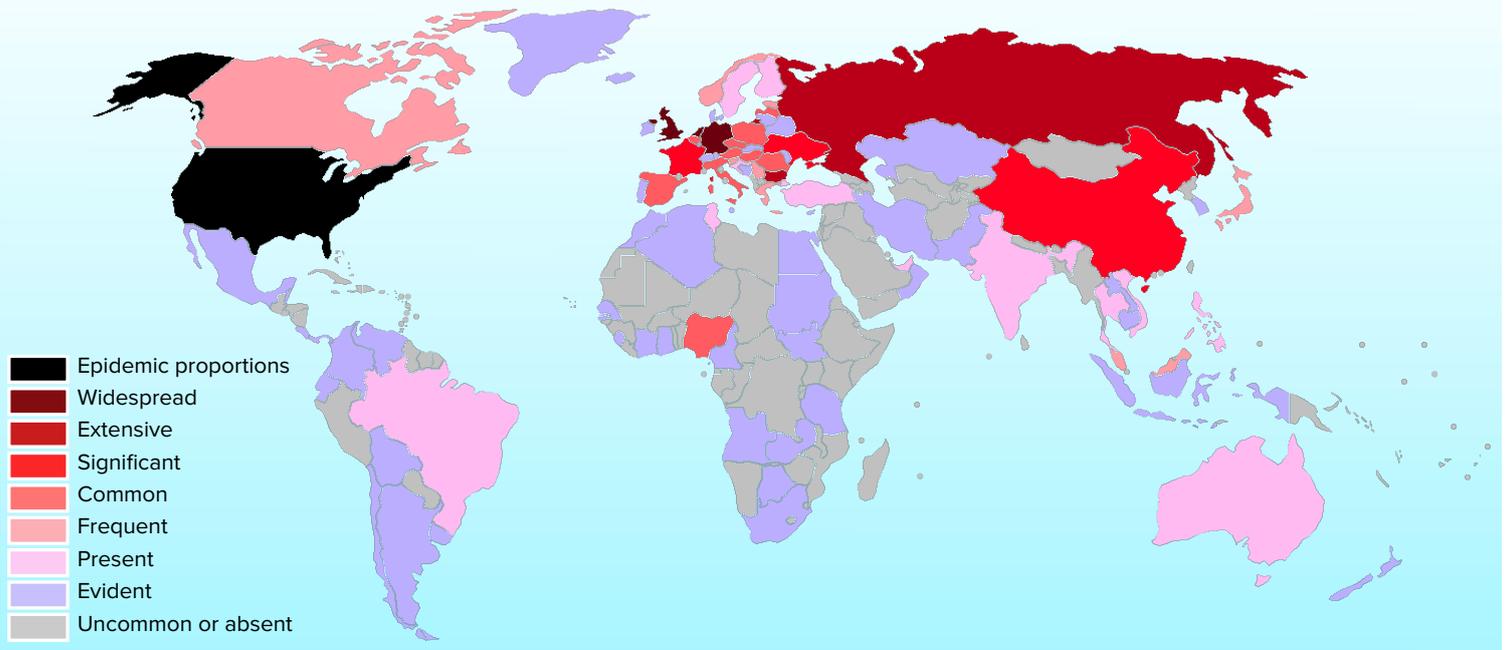
**Cybersecurity** refers to protection from criminal or unauthorised use of electronic data, including theft, disruption or misuse of data and software. The greatest threat to cybersecurity is **cybercrime**, which is defined as any criminal activity carried out using a computer or the internet. As more businesses and individuals rely on networked computers and mobile devices such as cellphones and tablets, concerns about cybersecurity and cybercrime have grown.



7.2 An infographic showing some forms of cybercrime and their impact. Source: Black Diamond Technologies.

**Computer security** can be violated in many ways that threaten businesses and individual users:

- **Backdoor attacks** occur when someone gains access to another person's computer by bypassing the normal security protections. Commonly called **hacking**, backdoor attacks occur when a password has been guessed or stolen, or when an algorithm is used to circumvent a firewall or other security measure.
- **Clickjacking** occurs when a person is tricked into entering confidential information, such as a password, into a website that appears to be an authentic site for a bank, government agency, etc, but which is really a disguised site belonging to a criminal or person with malicious intent. Once the password or other confidential information has been given, the attacker can use it to hack the person's computer or engage in **identity theft** through the use of credit cards, bank accounts, government websites, and so on.
- **Denial-of-service (DoS)** attacks occur when someone overloads a computer or server by flooding it with so many messages or requests for information that it renders the computer inoperable or sends it into an automatic lockdown. Some computer systems are set up to repel DoS attacks from a single source by blocking that source, so a more powerful form of DoS attack is the DDoS (**distributed denial-of-service**) in which multiple computers and sources bombard the target computer or network with messages or requests for information. DDoS attacks are usually handled through zombie computers that are connected to a botnet, which is a robotic network controlled by a single user.
- **Direct access attacks** occur when an unauthorised user gets physical (as opposed to remote) access to a computer and steals data from it. A variation of the direct access attack is to install **malware** or **hacking software** such as worms, covert listening devices, or keyloggers in order either to take over the computer later by remote access or to eavesdrop on subsequent activity by the authorised user of the computer.
- **Phishing** occurs when an individual or business receives a request, usually by e-mail, for confidential or sensitive information that is disguised to resemble a legitimate request from a



**7.3** The broad world pattern of cybercrime, 2018. The map is based on the countries where EU cybercrime investigations have identified cybercrime offenders and infrastructure. The data relates to cyberdependent crime and cyber-enabled fraud, but does not include investigations into online child sexual abuse. Source: Drawn from data supplied by Europol.

source such as a government agency, a bank or a credit card company. If the user falls for the trick and supplies the information requested, this can be used for **credit card fraud** or **identity theft**, which occurs when someone takes on the identity of another person for illegal financial gain.

### World distribution of hacking and identity theft

The **broad world pattern** of cybercrime is shown in figure 7.3. The map shows that the main focus areas of cybercrimes such as **hacking** and **identity theft** are in countries with abundant bandwidth and a computer-literate population.

The **United States** is the world leader for both hosting malicious content online and for the proportion of victims of cybercrime. It is estimated that the United States hosts almost 40% of the world’s command-and-control servers as well as 45% of the world’s phishing domains. The United States also has about 20% of the world’s bots and botnets, about 40% of the world’s ransomware, and it remains a major source of phishing scams.

**Europe** is the second largest centre of cybercrime, which is facilitated because there is abundant bandwidth and a stable internet infrastructure. Europe’s infrastructure allows efficient DoS and DDoS attacks to be launched and sustained, both within Europe and elsewhere in the world. About

13% of malicious URLs are hosted in the European Union, these being websites that redirect users to exploits (software that attacks a weakness in another computer, often to gain remote access or control), or host exploits themselves that may result in identity theft. The largest centre of malicious websites is the Netherlands, although they are also widespread in the United Kingdom, Germany and Portugal. The main concentrations of victims of malicious websites within Europe are in France, Germany, Italy and the United Kingdom. Phishing for identity theft is also widespread in Europe, with the main sources being Russia, Bulgaria, Czechia, Germany, Spain, Italy, Ukraine, and the Netherlands.

Within **Asia**, China is the main source of cybercrime, and experts allege that 30% of all global network attacks originate from China. China also has extensive botnet and command-and-control infrastructure, together with India, South Korea, Taiwan, Malaysia and Japan. Major sources of spam e-mails in Asia are Japan, Vietnam and Hong Kong, and in many cases, these spam e-mails include phishing scams for identity theft. An even more sinister aspect of cybercrime in Japan, the Philippines and South Korea is the use of the web for sexual exploitation, extortion by gangs and child pornography rings.

**Latin America** is much less involved with cybercrime than more economically developed

regions of the world, although Colombia and Argentina are major sources of spam e-mails. Many internet users in Latin America neglect virus protection and cybersecurity measures, and therefore computers in countries such as Bolivia, Brazil, Ecuador, Guatemala, and Peru are susceptible to infections and malware.

**Africa** is a less important source of cybercrime than more economically developed continents, although Nigeria is a major source of phishing e-mails, often using internet domains and addresses based in South Africa, Mali, Gabon or the Central African Republic. Within **Oceania**, Australia is the only country engaged in significant cybercrime, as it hosts a number of botnets and ransomware sources.

### Internet surveillance

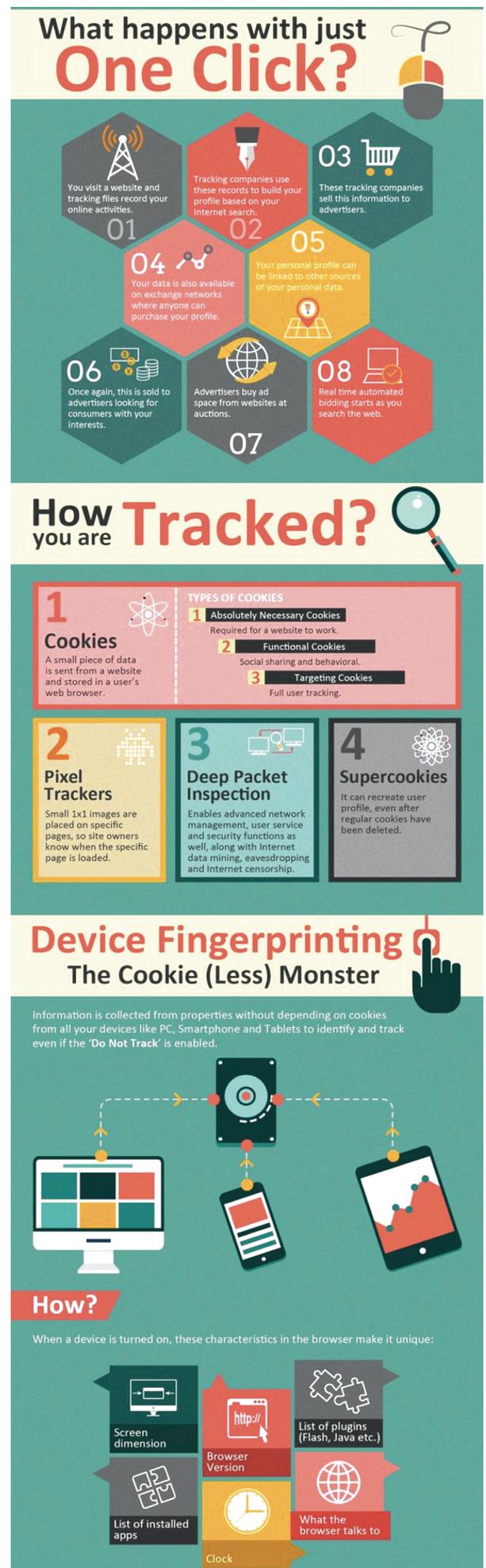
As a response to growing cybercrime, governments in many countries are increasingly engaging in **internet surveillance**, which is the covert monitoring of computer and network activity, together with data that is stored digitally. Surveillance by governments concerns many people because of the threat it is seen to pose to **personal freedoms**, such as the freedom to dissent or disagree with government policies and practices. Even more worryingly, **corporations**, individual **hackers**, **criminal organisations** and **overseas intelligence agencies** also undertake surveillance. Surveillance by governments may be legal, provided the necessary approvals have been granted, but surveillance by other groups is usually not legal.

Levels of surveillance vary widely. The Australian government requires ISPs (internet service providers) to retain every internet user's **metadata** for a period of seven years, and to surrender this to the government upon request. Metadata is the structured information describing a person's online use. Whether required by governments or not, most ISPs retain metadata, which can be demanded by governments or hacked by those with the knowledge and technology to do so.

Metadata varies for **different types of communications**. The metadata recorded for **e-mails** includes:

- Sender's name, e-mail, and IP address
- Recipient's name and e-mail address
- Date, time, and time zone
- Unique identifier of e-mail and related e-mails
- Mail client login records with IP address

7.4 An infographic showing some ways internet surveillance is done. Source: TechGenie.



- Mail client header formats
- Subject of e-mail, but not the content or attachments of messages

Metadata associated with **mobile phone calls**:

- Phone number of every caller
- Serial numbers of phones involved
- Time of call
- Duration of call, but no recordings of the conversation
- Location of each participant
- Telephone calling card numbers

Metadata associated with **Facebook** use:

- Username and profile biographical information including birthday, hometown, work history, and interests
- Username and unique identifier
- User subscriptions
- User location
- User device
- Activity date, time, and time zone, but no details of the content of postings

Metadata associated with **web browsers**:

- Website activity including the addresses of pages visited and the time of visits, but no content of sites visited
- User data and user login details with auto-fill features
- User IP address, internet service provider, device hardware details, operating system, and browser version
- Cookies and cached data from websites

Governments **justify** the retention of metadata primarily on the grounds that it helps authorities track **terrorists** and anticipate possible attacks, with the **secondary justification** that it helps detectives track **illegal activities** such as sending money to countries that are subject to sanctions, trading in child pornography, engaging in human trafficking, or downloading pirated software and movies.

Many people worry about the ways their government (or foreign governments) might use metadata, fearing that it represents an unacceptable **invasion of privacy**. They attempt to preserve the privacy of communications where possible, such as by **encrypting** e-mails and website transactions, using encrypted **VOIP** protocols such as Skype for phone calls, communicating via message servers with separately timed secure logins that cannot be

matched such as **Wickr**, accessing web services in **internet cafés** that do not record users' details, or by communicating only through **secure VPNs** (Virtual Private Networks). Paradoxically, some of these people post photographs and personal details such as addresses and birth dates on social media sites such as Facebook or Instagram where they can easily be accessed, either by governments or by individuals with nefarious motives.

A further issue for people concerned with personal freedom is that some governments **share the metadata** and internet surveillance details they have collected. For example, the so-called '**5-Eyes**' – the United Kingdom, the United States, Australia, New Zealand and Canada – have had an agreement to share such data since World War II. As much of the world's internet traffic passes through one of these five countries, this exposes large quantities of metadata to government surveillance, even when using a VPN server that is based in one of these five countries unless, as is the case with some VPN providers, individual records are not retained.

### Understanding metadata

#### WHAT IS METADATA?

Metadata is **data about data**.

Metadata can describe a single piece of data, a dataset or collection.

Metadata can be used to describe anything - both physical or digital.

#### TYPES OF METADATA

**Object-level**

This describes a single object or piece of data such as a document, an image, or a sequence.

**Collection-level**

This describes a group of data, i.e. a dataset or collection.

**Methodological**

Details of the methods that were used to collect, generate, process and/or analyse your data.

#### WAYS TO DESCRIBE YOUR DATA

**Basic:** Title, dates, geographic locations, subjects, dimensions.

**Connections:** Investigators, collaborators, related publications, websites, projects and datasets.

**Access and rights:** copyright licences, access and usage restrictions, embargo dates.

**Technical:** File format and size, software, programming language.

**Preservation:** storage location and format, retention periods.

#### WHERE TO DESCRIBE YOUR DATA

**Locally**

Within your work - files, databases and other structures. Use metadata to keep track of the data you are collecting or generating.

**Beyond**

Collection level metadata can be created and shared within metadata stores and data repositories. This helps other researchers to find out about your work, may lead to new collaborations and minimises duplication of effort.

Metadata helps you to **better organise** and keep track of your research data, **saving you time** by making it easier to find your data when you need it.

Metadata helps you to **understand a dataset** - what it is, **how it was collected** and how it is structured.

**7.5** The nature of metadata. Source: eRSA at the University of Adelaide, Flinders University, and the University of South Australia.

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Particular concerns about the impact of internet surveillance arise in countries with comparatively **authoritarian regimes**. Surveillance makes people in Iran wary about expressing anti-Muslim or anti-government ideas. In Russia, internet surveillance makes LGBTIQ people wary about communicating in ways that might lead to arrest or physical beatings. Internet users in China are wary about posting opinions about China's relationship with Taiwan or Tibet.

No-one really knows the **extent of internet surveillance**. In 2013, a former systems administrator of the United States CIA (Central Intelligence Agency) named Edward Snowden, revealed that the NSA (National Security Agency) and the 5-Eyes Intelligence Alliance had been conducting secret surveillance called **PRISM** since 2007 with help from several European governments and several US-based technology companies including Microsoft, Yahoo, Google, Facebook, YouTube, AOL, Skype and Apple. As most of the world's internet traffic passes through the United States, being the cheapest and fastest conduit, the NSA was (and is) able to intercept and look at most of the world's communications.

**Privacy advocates** are concerned that whatever legal protections may be in place in various countries around the world, programs such as PRISM demonstrate the capacity of government intelligence agencies to conduct covert surveillance

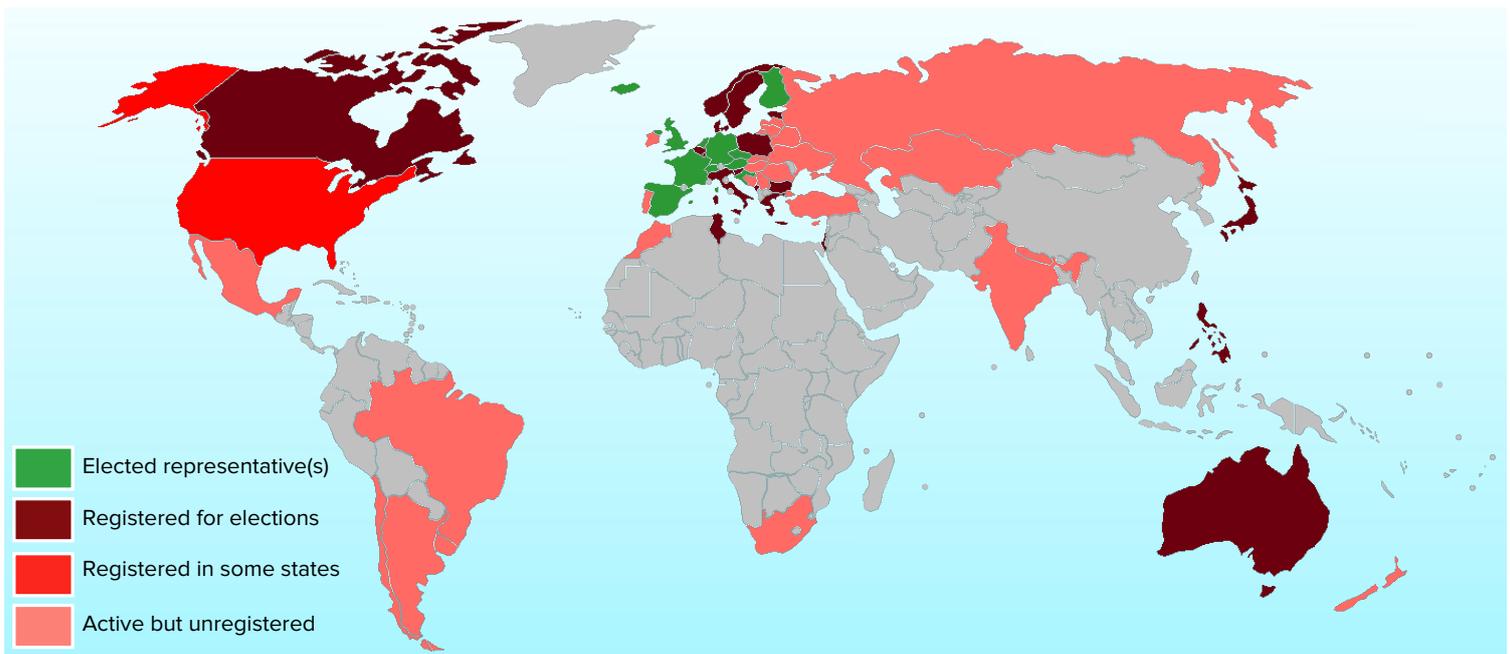
that potentially undermines the personal freedom of every person on the planet.

One reaction to internet surveillance has been the rise of the **Pirate Party** in many countries since it was first formed in Sweden in 2006. The Pirate Party is a common name adopted by political groups in various countries that share a **common philosophy** of supporting civil rights, internet freedom, open sharing of data, information privacy, freedom of information, reform of copyright law and free sharing of knowledge.

Although the Pirate Party remains a minor political force in most countries, it has succeeded in having representatives elected to legislatures in Sweden, Iceland, Czechia and Germany. Its most successful



7.7 A Pirate Party campaign in Berlin, Germany, on the theme of 'Protest instead of fear'.



7.6 The status of the Pirate Party, 2018. The establishment of the Pirate Party is an indication of the strength of antagonism people have towards censorship and surveillance of the internet. Note that in some countries, the expression of such feelings is not permitted in this manner because of prohibitions on political expression.



**7.8** A sign at a Pirate Party demonstration in Berlin, Germany, calls for a halt to government-sponsored internet censorship and surveillance.

election campaign to date was in **Iceland** in 2016 where the Pirate Party won almost 15% of the national vote, taking 10 seats in Iceland's 63-seat parliament (known as the Alþingi), a result that made the Pirate Party the third strongest political force in the country.

### QUESTION BANK 7A

1. Explain what is meant by the terms 'cybersecurity' and 'cybercrime'.
2. Describe the three messages of the infographic in figure 7.2 that you consider to be the most significant.
3. What is 'hacking' and how does it occur?
4. What is 'identity theft', and how can it occur?
5. Describe and suggest reasons for the broad world pattern of cybercrime shown in figure 7.3.
6. With reference to figure 7.4, describe how internet surveillance occurs on an everyday basis.
7. What is internet surveillance, and how is it done (a) by governments, (b) by criminals, and (c) by businesses and corporations?
8. Explain why internet surveillance causes concerns about a loss of personal freedom.
9. What is 'metadata'? In what ways can metadata be used for internet surveillance?
10. Giving reasons, explain why you think internet surveillance is, or is not, justified.
11. Describe the international spread and influence of the Pirate Party, and explain why the growth of the Pirate Party reflects concerns about internet censorship and surveillance.

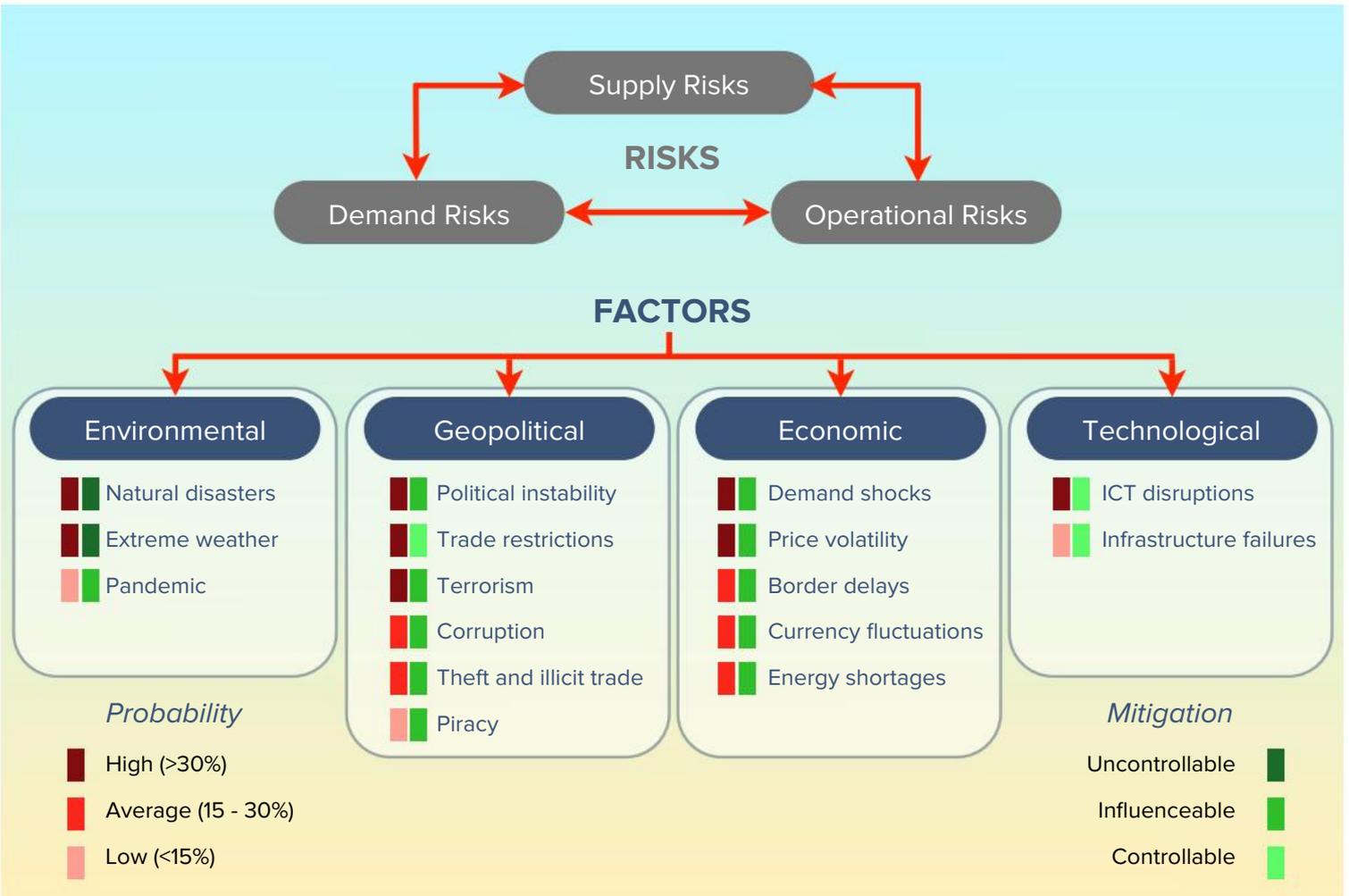
## Risks to global supply chain flows

As manufacturing companies draw supplies from sources around the world, expanding the scale of their drawing areas, they face increasing **risks** as the **distance** and **complexity** of their supply chains grow. As shown in figure 7.9, companies face **three types of interrelated risk**:

- **Supply risks** arise when suppliers are unable to send sufficient inputs in time to meet demand, either in terms of quantity or quality.
- **Demand risks** arise when sales of products decline unexpectedly, leading to an unanticipated over-abundance of surplus materials.
- **Operational risks** arise when transport disruptions prevent punctual delay of some raw materials, and as a result, production is disrupted.

Each of these risks can arise because of a wide variety of factors, but these factors can be categorised into **four groups**: environmental, geopolitical, economic and technological. Each of these sets of factors has a different **probability** (likelihood of occurring), ranging from low to high. Furthermore, each factor has a different level of **mitigation**, which refers to the effort and expense required to overcome the supply disruption. The combination of probability and mitigation level determines the **risk level** for each factor as a disruptor of the supply chain.

- **Environmental factors** include natural disasters such as earthquakes, hurricanes and floods. These are the factors that have the highest probability of affecting global supply chains, and they are also the most difficult to mitigate because they are both uncontrollable and unpredictable. Environmental factors are especially disruptive when they occur in areas that supply large volumes of goods, such as hurricanes in South-east Asia that affect the production and transportation of electronics goods. Less likely but more controllable environmental factors are diseases, and especially pandemics, such as the outbreak of Ebola in West Africa from 2013 to 2016, which disrupted the movement of goods in and out of some parts of the region for a couple of years.



7.9 The risks to global supply chains, and the factors that influence these risks.

Sources: Adapted from I Manuj and JT Mentzer, (2008) "Global supply chain risk management strategies", *International Journal of Physical Distribution & Logistics Management*, 38(3), 192-223; World Economic Forum (2012) *New Models for Addressing Supply Chain and Transport Risk*; Jean-Paul Rodrigue, Dept. of Global Studies & Geography, Hofstra University, New York, USA.

- **Geopolitical factors** range from those which are fairly likely, such as political instability, trade restrictions or terrorism, through to factors that are unlikely such as physical piracy and hijackings. Other geopolitical factors such as corruption, theft and illicit trade are more likely to occur in countries with a weak legal or judicial system, as occurs in some parts of Africa and the Middle East. Geopolitical factors can often be influenced or addressed by companies that are disrupted by them provided they are willing to pay the financial cost and/or compromise their integrity, such as by paying bribes or negotiating with extortionists.
- **Economic factors** arise for a range of reasons, some of which are caused by government actions such as currency fluctuations and delays crossing national borders, while others such as demand shocks, price volatility and energy shortages are market-driven. Like geopolitical factors, companies can often influence the disruptions

that arise for economic reasons, although such intervention usually comes at a financial cost.

- The most common type of **technological factors** that affect global supply chains are ICT



7.10 The crash of a vehicle bringing supplies, such as this truck that was transporting cement to a factory in Dushanbe, Tajikistan, is an example of an operational risk caused by technological factors - in this case, an infrastructure failure.

(information and communications technology) failures such as communication breaks, hacking, and computer breakdowns. Transport infrastructure breaks such as trucks or aircraft crashing and ships sinking also occur from time to time, but they are less frequent than ICT disruptions.

### QUESTION BANK 7B

1. Explain the difference between supply risks, demand risks and operational risks.
2. With reference to figure 7.9, give one real-world example of each of the 16 factors, describing how it disrupted the global supply chain of one or more companies. If you cannot find an actual example, then as an alternative, describe how that factor might disrupt global supply chains.

## Threats to the political and economic sovereignty of states

### Nation-states

The 1990s was a decade of enormous change for atlas makers. In the early 1990s, the Soviet Union collapsed and 15 new countries were created as a result. At about the same time, Yugoslavia began a process of disintegration and turmoil that continued for more than a decade. This turmoil resulted in the **creation of new countries**. The process of changing national identities was not new – new countries are created while others disintegrate, and the map of the world has always been changing to reflect political changes. Indeed, an atlas published a century ago is of almost no use today to study national boundaries except for historical interest.

A **sovereign country** is one that possesses its own autonomous power and authority. Each sovereign state in the world should correctly be called a nation-state. A **nation-state** is a defined area of territory that is under the control of a single government that controls the economy, political organisation and external security. Although this may seem a simple definition at first sight, it often results in complex situations and conflicts that are difficult to resolve.

The world has not always been divided into nation-states. Through most of human history, groups of

people organised themselves in **tribes**. Each tribe shared a common language, culture, religion and history. In Europe, alliances, conflicts and revolutions resulted in some tribes and communities being conquered or amalgamated with others, forming larger and larger political territories. In 1648, a peace treaty known as the **Treaty of Westphalia** acknowledged the existence of independent sovereign states for the first time, and the concept of the nation-state is often seen to date from that time. When Europeans began to colonise other parts of the world, the **nation-state concept** came to be applied in all continents as boundaries and territories were defined.

Some communities have only embraced the concept of the nation-state quite recently, if at all. Even today there are groups within countries such as Papua New Guinea, Congo and Ethiopia who see **their 'nation' as their tribe**, and their territory as the valley or area they have traditionally controlled. For such people, the tribe in the neighbouring valley is seen as a different nation with a different language whom they have traditionally fought against in war. This creates quite a challenge for the governments of countries such as Papua New Guinea and Ethiopia as their governments try to build a strong loyalty to a single nation-state that includes traditional enemies.



**7.11** Members of the Mursi tribe in southern Ethiopia. The Mursi have a strong loyalty to their tribe rather than to the national territory of Ethiopia, with which they do not identify. Their cultural identity is expressed in many ways, including their distinctive dress.

The **nation-state** is different from the concept of **nation**, which is closer to the traditional smaller grouping just described in Papua New Guinea. A nation is a community of people bound together by

a common culture and history, who have a collective sense of being different from others. Although nations and nation-states sometimes coincide, they usually do not. Thus, the **Basque people** who have their own language and live in the Pyrenees Mountains of Europe are a nation that happens to inhabit some territory in the nation-states of France and Spain. In a similar way, **Indigenous Australians** are members of one nation within the nation-state of Australia. The **Kurds** are a nation of about 20 million people who mainly live in five nation-states – Iraq, Iran, Turkey, Syria and Armenia.



**7.12** Symbols of Kurdish identity, including the Kurdish flag, are seen here in Erbil, the capital of Iraqi Kurdistan (or Southern Kurdistan as it is sometimes known). Although part of the nation-state of Iraq, Iraqi Kurdistan is a largely self-governing autonomous region. The flag features the pan-Persian colours of red, white and green that also feature on the national flags of Iran and Tajikistan.

Having defined the ‘nation-state’, the common question many people ask is “*how many nation-states are there in the world today?*”. This is a surprisingly difficult question to answer, because it is not always clear whether a place is a nation-state or not. For example, **Scotland** is part of the United Kingdom, but it has its own sports teams, its own flag, its own National Assembly and issues some denominations (but not all) of its own currency. It does not have separate United Nations membership, but is represented as part of the United Kingdom. Therefore, is Scotland a nation-state or not?

Most authorities recognise very small micro-nations as nation-states, examples being **Andorra**, **Monaco** and the **Vatican**. Some countries recognise the Republic of **Kosovo** as a separate nation-state, but other countries regard it as still part of Serbia. No countries recognise the Republic of **Transnistria** (or



**7.13** Transnistria is a small, narrow self-proclaimed republic along the banks of the Dniestr River which flows between Moldova and Ukraine. Unlike surrounding regions, the population of Transnistria mainly comprises ethnic Russians, and the government continues to operate largely as though the USSR still existed. Transnistria issues its own currency, and it has its own flag, army, postal system and taxation system. Only three ‘nations’ recognise Transnistria’s sovereignty: Abkhazia, Nagorno-Karabakh and South Ossetia, none of which is recognised diplomatically by any countries apart from the other three. This view shows the centre of Transnistria’s capital city, Tiraspol.

Pridnestrovie as it is sometimes known), which is a breakaway region on the border between Moldova and Ukraine, and yet the area has functioned effectively as a separate nation-state since it declared its independence from Moldova in 1992.

There are other examples of places that could perhaps be defined as nation-states, but whose status is ambiguous in the eyes of some commentators. Although they are now both Special



**7.14** The Newborn Monument in Kosovo’s capital city, Priština, was unveiled on 17th February 2008, the day Kosovo declared its independence from Serbia and became a nation-state. The monument is repainted in different colours every year on the anniversary of Kosovo’s independence.

Administrative Regions (SARs) of China, **Hong Kong** and **Macau** used to be colonies of European nations. Colonies are not nation-states; even though they have a defined territory, permanent inhabitants and sometimes a separate structure of administration, they lack full control over their internal affairs. In December 1999, Macau was handed over by its former colonial power, Portugal, to China and it became an SAR, just as occurred when the British handed Hong Kong to China in July 1997.

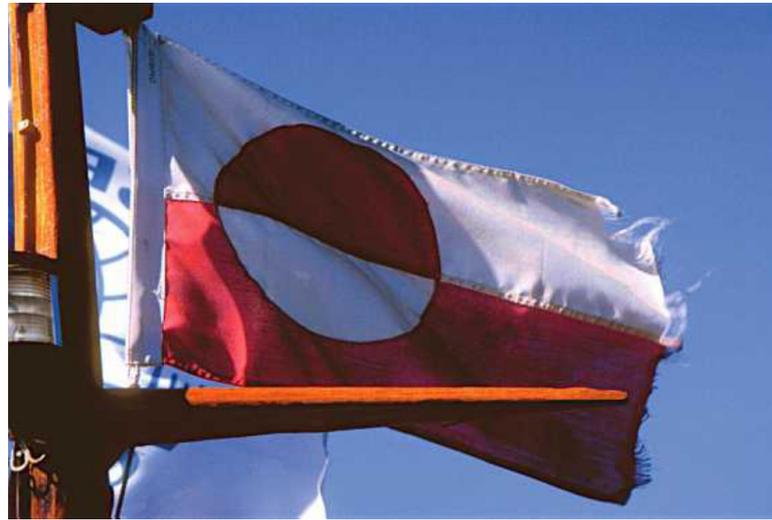


**7.15** Macau was a Portuguese colony until it became a Special Administrative Regions (SAR) of China in 1990. The character of Macau still reflects its colonial origins, and like Hong Kong, it is so unlike any other part of China economically, legally, financially and culturally that many people think of it as a separate nation-state even though it is ultimately controlled from Beijing. Nonetheless, a public protest such as this is unlikely to be tolerated in Mainland China.

Are Hong Kong and Macau now nation-states? They both have their own immigration controls, flags, administrations, legal systems, currencies, and issue their own passports and postage stamps. A travel visa for China is useless for entering Hong Kong or Macau, and a person with visa-free entry for Hong Kong or Macau may not be able to enter China without a travel visa.

The case of **Greenland** is also difficult. It has its own flag, issues its own postage stamps and is entirely self-governing for internal affairs, but relies on Denmark for defence and foreign policy, uses Danish currency and is represented by several seats in the Danish parliament.

One criterion that is often used to decide if a country is a nation-state or not is whether it is a member of the **United Nations**. However, this criterion would have excluded **Switzerland** as a



**7.16** The Greenlandic flag, flying on a fishing vessel.

nation-state before 2002 as it had chosen not to be a member until that year. Furthermore, **Yugoslavia** was excluded from UN membership for a period of time, but obviously this did not mean it ceased to be a nation-state. Israel is a member of the UN, but about 20 Arab nation-states insist that Israel does not exist as a nation-state.

Another possible criterion is whether a country competes in the **Olympic Games**. This would allow both China and Taiwan (which competes as Chinese Taipei) to be seen as separate nation-states, even though the United Nations excludes Taiwan from membership because it considers the People's Republic of China to be "the only lawful representatives of China" at the UN, and does not dispute China's claim that Taiwan is part of China. If participation in the Olympics became a criterion for status as a nation-state, Scotland would be excluded, although at another level, Scotland has its own soccer and rugby teams that compete in international competitions.

There is even disagreement over which is the **smallest nation-state** in the world. The smallest territory to make a claim is the **Sovereign Order of Malta**, which occupies 1.2 hectares in a building in Rome. It issues its own passports, currency (the Maltese scudo) and postage stamps, and it has diplomatic relations with over 100 nation-states. However, it is not recognised by the majority of nation-states, is not a member of the UN, does not have sporting teams that compete in the Olympic Games (its permanent population being only three people), and is not viable without Italian support.

So there is probably no 'right' answer to the question of how many nation-states exist in the



**7.17** The Magistral Palace in Rome has been the seat of government for the Sovereign Order of Malta since 1834. The building has been granted extra-territoriality rights by the Italian Republic, meaning that the building is its own country and not part of Italy. The Sovereign Order of Malta has embassies and diplomatic representation in 106 countries, including an Embassy to Italy.

world. There are 193 members of the **United Nations**, although the UN also has three non-member observers – the Vatican, Palestine and the Sovereign Military Order of Malta – and so the United Nations recognises 196 nation-states. There were 206 members of the **Olympic movement** registered to compete in the Rio de Janeiro 2016 Olympic Games. The *Guinness Book of World Records* used to list 191 sovereign states plus 65 non-sovereign territories (making a total of 256), but complaints from various groups opposing the status of certain areas as nation-states led Guinness to stop publishing their list in 2004. The **Travellers' Century Club**, a US-based organisation for people who have visited over 100 countries, lists 325 (of which Alaska is a separate entity from the United States, Tasmania is separate from Australia, Wales and Scotland are separate from the United Kingdom, Tibet and Hainan Island are separate from China, and each emirate of the United Arab Emirates is listed separately).

Even these numbers are certain to change constantly. Currently, the world's newest country is **South Sudan**, which separated from Sudan in July 2011. Prior to that, the newest countries were **Kosovo**, which declared independence from Serbia in February 2008, and **Montenegro**, which became a country in June 2006 after separating from Serbia. Since 1990, 34 new nation-states have come into being, and unless history changes dramatically

from past trends, other nation-states will separate, amalgamate and be invaded in the years ahead.

### The Changing Role of the Nation-State

Since the mid-1600s when nation-states emerged as the dominant form of organising the territories of the world, they have performed two main roles. First, nation-states have exercised **political and administrative control** over areas of land and the people living within those areas. Second, they have dominated **relations between people** in different areas, sometimes through **trade** but at other times by **conflict and war**.

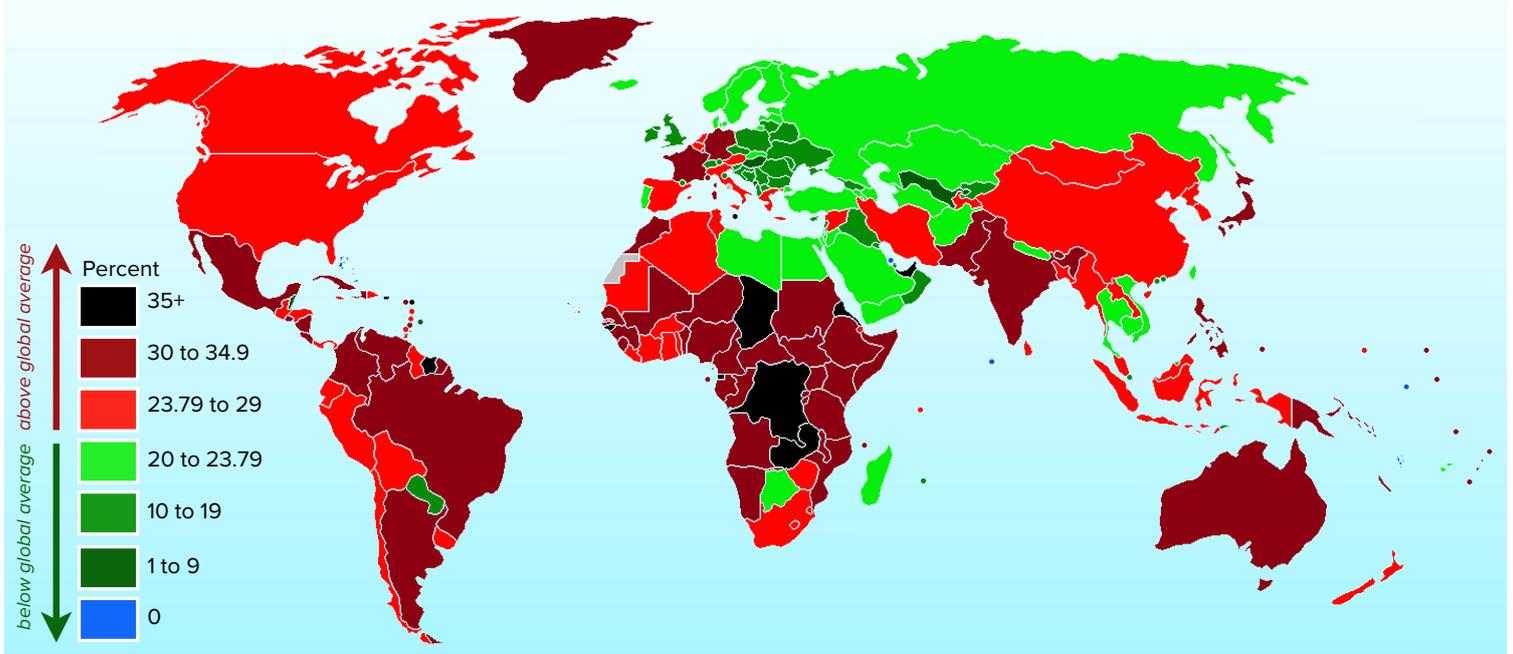
Nation-states exist in a world of differing power relationships in which some nation-states are stronger than others. As globalisation has occurred in recent decades, the role of nation-states changed somewhat as the rise of other powerful bodies – **transnational corporations** and **international organisations** – became more significant. Before the 1960s, nation-states had only to deal with each other; today they must also deal with these other powerful organisations, not only TNCs but organisations such as the United Nations, World Bank, International Monetary Fund and the World Trade Organisation.

#### QUESTION BANK 7C

1. What is the difference between a 'nation' and a 'nation-state'?
2. Name some examples of nations which are not nation-states.
3. How many nation-states are there in the world today?
4. In what ways are the roles of nation-states changing?

### Profit repatriation and tax avoidance

**Profit repatriation** occurs when transnational corporations make profits in a foreign country and then send (repatriate) these profits to the home country of the corporation. Profits earned in foreign countries are usually made in various currencies, and repatriation is undertaken to minimise the TNC's exposure to currency fluctuations. Profit repatriation therefore usually often involves converting the currency of the



**7.18** Corporate tax rates, 2019. Countries are shown in shades of red or black if their corporate tax rate exceeds the global average rate of 23.79%, and in shades of green if the corporate tax rate is below the global average. Note that many countries have a sliding scale of corporate tax rates depending upon the scale of the company, the size of its profits, and whether it is locally or foreign owned. Many of the countries with zero rates of corporate tax (shown in blue) are too small to be shown clearly on this map, some examples being the Bahamas, Bahrain, Bermuda, Bonaire, the British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Nauru, Sark, and Vanuatu. The United Arab Emirates has a zero rate of corporate tax for profits made by most companies, but imposes a 20% corporate tax on profits in the banking sector and a 55% corporate tax on profits made by oil and gas corporations. Sources: KPMG, PWC, Deloitte.

country where the profits were made into the currency of the TNC's home country.

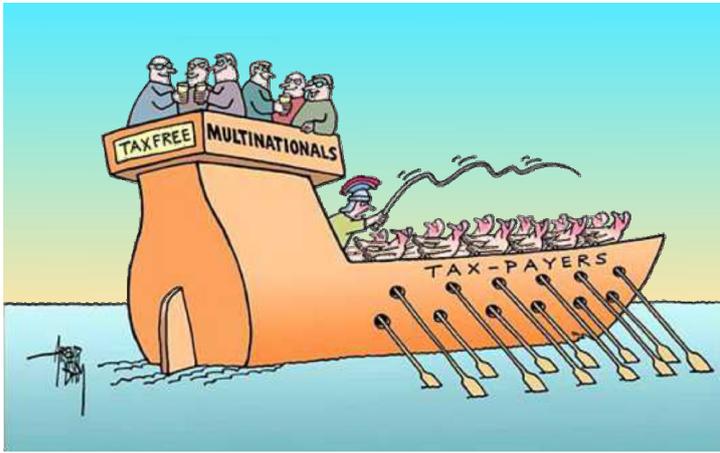
The **laws** involving profit repatriation differ from country to country, and countries that are keen to attract foreign investment often have very generous rules governing the export of profits. Figure 7.18 shows the **tax rates** that are charged to companies and corporations around the world. The countries with the **highest rates** of corporate tax in the world are (in descending order) the United Arab Emirates, Puerto Rico, the United States of America, and Chad.

At the other end of the spectrum, several countries charge **no corporate tax** whatsoever in an effort to attract companies to locate there. Known as **tax havens**, transnational corporations often establish offices or subsidiaries in such countries so they can undertake accounting transactions that shift profits from high tax countries (such as the United States, Australia, France, Brazil and India) to tax-free havens, thus **minimising their tax payments** on profits earned.

Companies can minimise tax legally using **tax avoidance** and **tax mitigation**. **Tax evasion** is different, being illegal avoidance of paying taxes by

not complying with legislation and regulations. **Tax avoidance** occurs when companies use the legal loopholes that countries offer within their taxation law, such as deductions for certain types of expenditure that the government deems as legitimate expenses in earning the income. **Tax mitigation** occurs when companies shift profits through accounting manipulation from one country to another to reduce the taxes payable in countries that have higher rates of corporate taxes.

Although tax avoidance and tax minimisation are **legal**, many people feel they are **unethical** practices because they enable large, profitable companies to pay tax at rates that are far lower than the tax rates paid by ordinary wage earners, thus depriving governments in many countries of the taxation revenue they need to provide basic services and welfare for the general public. Bloomberg, a US-based news agency that focuses on financial markets, estimates that in the period since 1995, companies using tax mitigation schemes have diverted about **US\$2.5 trillion** from OECD and developing countries into tax havens, with 30 companies accounting for 66% of this total (table 7.1).



7.19 Corporate tax avoidance — a cartoonist’s view.

**Tax havens** have three common characteristics:

- they are countries or territories with very **low or zero taxes**.
- they have laws that encourage **financial secrecy** and inhibit an effective exchange of information about taxpayers to taxation and law enforcement authorities.
- they **lack transparency** in legislative, legal or administrative practices.

The importance of tax havens for transnational corporations is shown by the fact that **43% of the foreign earnings** of US-based TNCs are reported to occur in **five small tax haven** countries – Bermuda, Ireland, Luxembourg, the Netherlands, and Switzerland – even though these countries had only 4% of these companies’ foreign workforces and 7% of their foreign investments. By contrast, US-based TNCs report earning just 14% of their profits in major US trading partners with higher rates of corporate taxes – Australia, Canada, Germany, Mexico and the United Kingdom – which accounted for 40% of their foreign workforce and 34% of their foreign investment.

## CASE STUDY

### Apple’s tax avoidance

As table 7.1 shows, the largest TNC in terms of tax avoidance is **Apple**, which in 2015 added almost US\$215 billion to its overseas financial reserves through three tax havens. This amount was more than the Gross Domestic Product of Portugal, New Zealand or Greece. If these profits had been declared in its home country of the United States, Apple would have been eligible to pay US\$65.4 billion more in tax, which is more than the total wealth in the economies of Belarus, Croatia or Uruguay.

Table 7.1

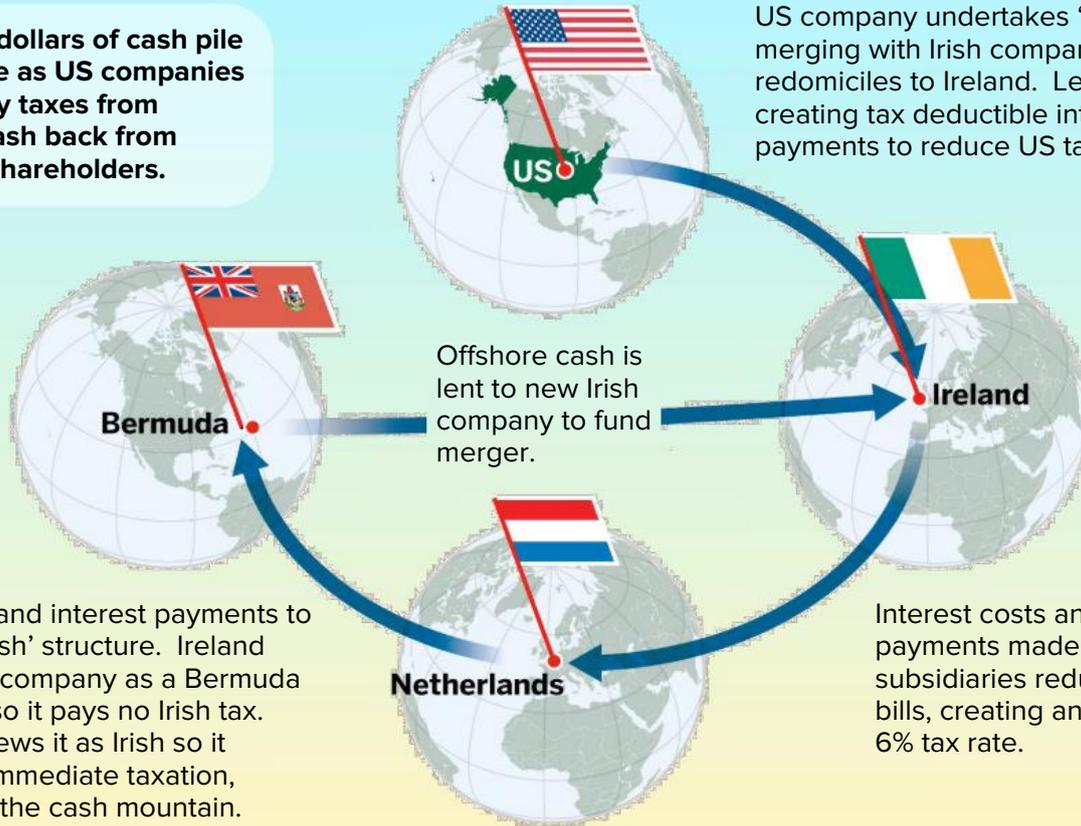
The top 30 US-based TNCs with money held in offshore tax havens

Company	Amount held offshore (US\$ millions)	Number of tax haven subsidiaries
Apple	214,900	3
Pfizer	193,587	181
Microsoft	124,000	5
General Electric	104,000	20
IBM	68,100	16
Merck	59,200	125
Google	58,300	1
Cisco Systems	58,000	56
Johnson & Johnson	58,000	62
Exxon Mobil	51,000	35
Proctor & Gamble	49,000	35
Hewlett-Packard	47,200	95
Chevron	45,400	8
Citigroup	45,200	140
Oracle	42,600	5
PepsiCo	40,200	135
JP Morgan Chase & Co.	34,600	385
Amgen	32,600	95
Coca-Cola	31,900	15
United Technologies	29,000	31
Qualcomm	28,800	3
Goldman Sachs Group	28,550	987
Gilead Sciences	25,500	12
Intel	26,900	13
Eli Lilly	26,500	33
Walmart	26,100	
AbbVie Inc	25,000	38
Bristol-Myers Squibb	25,000	23
Danaher	23,500	31
Philip Morris International	23,000	7
<b>TOTAL</b>	<b>1,648,637</b>	<b>2,509</b>

Source: Richard Phillips, et.al. (2016) *Offshore Shell Games: The Use of Offshore Tax Havens by Fortune 500 Companies*, Citizens for Tax Justice. p.13.

Billions of dollars of cash pile up offshore as US companies deterred by taxes from bringing cash back from Bermuda shareholders.

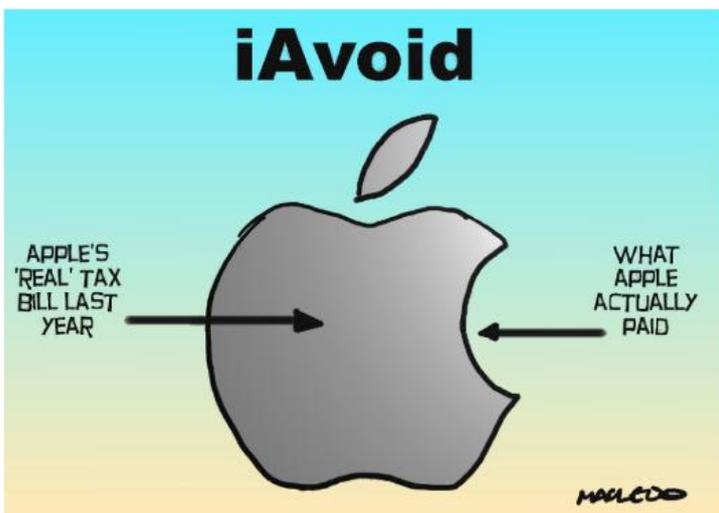
US company undertakes 'inversion' by merging with Irish company and redomiciles to Ireland. Leads to the US, creating tax deductible interest payments to reduce US tax bills.



7.20 Corporate tax avoidance — the example of a US-based transnational corporation employing overseas tax havens in Ireland, the Netherlands and Bermuda, to mitigate taxes using a method known as 'the Irish inversion'. Source: Financial Times.

The extent of Apple's tax avoidance became evident in 2016 when Ireland was ordered by the European Union to retrieve €13 billion (US\$13.8 billion) from Apple in taxes that had been avoided because of concessions granted by the Irish Government. Apple had been granted a special tax ruling by the Irish Government in 1991 that was designed to attract Apple to the country, giving Apple a special low tax rate of just 4%. Apple set up subsidiaries in Ireland and passed the rights of its intellectual property to these subsidiaries, giving Apple a reason to shift most of its profits to Ireland.

In the period 2007 to 2016, Apple earned almost US \$200 billion in foreign profits. Because it was able to shift about 90% of these profits to its Irish subsidiaries using a scheme similar to that shown in figure 7.20, Apple paid an effective corporate tax rate of just 0.005%. Apple was able to exploit differences in the legal definition of 'residence' in the US and Irish tax codes, giving it immense freedom to move its profit centres internationally. If Apple had repatriated its profits back to its home country of the United States, it would have been required to pay about 38% in taxes, as the United States' corporate tax rate is one of the highest in the world. It is estimated that Apple's tax mitigation enabled it to avoid paying about US\$67 billion in US taxes.



7.21 Apple's tax avoidance — a cartoonist's view.

The European Union objected to this arrangement because it gave Apple an unfair tax advantage over other companies, and it gave Ireland an unfair comparative advantage over other EU countries in attracting foreign investments. The European Union argued that Ireland's low tax rate for Apple was the equivalent to providing state aid to the company, and it ordered Ireland (as an EU member country) to demand Apple pay the additional taxes of €13 billion.

Ireland objected to the European Union's ruling on the grounds that it preferred to remain a **low-tax centre** and thus be attractive to foreign investors. The Irish Government claimed that charging Apple the additional tax would deter other investors, leading to the loss of thousands of jobs if other companies relocated their operations.

At the time the controversy about Apple became public, a Presidential election campaign was underway in the United States. Not surprisingly, the practice of US corporations declaring their profits in foreign countries to avoid paying US taxes became an **election issue**. While both Presidential candidates vowed to make US companies pay the full amount of taxes that were due in the United States by tightening up tax mitigation regulations, the **US Treasury** stood by the Irish Government and accused the European Union of behaving like a 'supranational tax authority'. The concern of the US Treasury was that if Apple (and other US companies) had to pay more taxes to foreign governments, then that might reduce the profits that would be ultimately repatriated back to the United States, thus reducing the amount of corporate taxes ultimately collected in the United States.

Tim Cook, the **CEO of Apple**, responded to the demand for additional tax payments by asserting that Apple is the biggest single taxpayer in the United States, "and so we're not a tax dodger; we pay our share and then some". In a public statement arguing that it should not have to pay any additional taxes in Ireland, Apple wrote "any incremental Irish corporate income taxes potentially due would be creditable against US taxes", effectively stating that any additional taxes paid in Ireland would be **deduced** from possible **future tax payments** in the United States. This statement seemed to ignore a section of the European Ruling that specifically allowed Ireland to send some of the additional tax received to the United States tax authorities if it wished to do so.

At the time of writing, this situation remained **unresolved**, and it was likely that legal challenges would take many years. Meanwhile, Apple is being seen as a **test case** of tax mitigation practices by transnational corporations as similar special arrangements have been made by other large corporations, including deals between Starbucks

and the Government of the Netherlands, and between Fiat and the Government of Luxembourg.

### Tax avoidance by wealthy individuals

It is not only transnational corporations that seek to minimise or avoid paying taxes; it is also a practice undertaken by individual people. Because **wealthy people** can afford clever accountants who understand loopholes in the taxation systems in different parts of the world, the wealthiest people often pay **lower rates of taxation** than ordinary wage and salary earners. As the New York property developer Leona Helmsley once stated, "Only the little people pay taxes".

There are several ways in which wealthy people can **minimise or eliminate taxes**:

- Live in **countries with low or zero rates** for income tax. Countries with zero rates of personal income tax include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates in the Middle East, the Bahamas, Bermuda, Cayman Islands in the Caribbean, Monaco in Europe, Brunei in South-east Asia and Vanuatu in the South-west Pacific. All these countries are either **major oil producers** or countries that rely heavily on **income from tourism**, which is how these countries raise government revenue despite not charging any income tax.
- Form companies, shell companies, partnerships, or other financial entities that are **based in countries** with low or zero taxation rates,



**7.22** Kuwait is one of several tax havens offering a zero rate of income tax.

funnelling personal income through these entities.

- Form **charitable foundations** that are exempt from paying income tax, and then channel personal income into these foundations, which then make donations, grants or payments to businesses that are owned by the same individual to perform development or humanitarian-oriented work.
- Hold **assets in offshore companies**. In mid-2016, 11.5 million confidential documents known as the **Panama Papers** were leaked from a legal firm based in Panama. The documents revealed the extent to which wealthy individuals held assets in offshore locations in 40 low-tax countries. Many of the wealthy individuals were politicians and senior government officials, some of whom resigned in disgrace when their foreign assets were revealed.
- **Money laundering**, which is disguising income earned by channelling it through banks and other financial institutions in countries that maintain high degrees of confidentiality (such as Switzerland, Lebanon, Luxembourg, Cayman Islands and the Bahamas), or moving cash through untraceable filters such as gambling casinos.

**Illicit financial flows** (IFFs) are movements of money in illegal ways. Money-laundering is one example of an IFF, but IFFs refer to the transfer of any money out of a country through illegal means with the purpose of evading taxes or currency controls.

Money for IFFs can be earned **legally** or **illegally**, as shown in table 7.2. Although they are extremely difficult to track and measure, Marc Herkenrath (Associate Professor of Sociology at the Universities of Zurich and Freiburg), estimates that global IFF flows exceed the total development assistance received by all the world's developing countries.

As a result of the release of the Panama Papers, France, Germany, Italy, Spain and the United Kingdom agreed to improve **information sharing** in an effort to fight tax evasion and money laundering. The United Kingdom's participation in this process is especially important because several tax havens (such as Jersey, Guernsey, Isle of Man and British Virgin Islands) are dependent territories of the UK. Proposals to tighten the control of IFFs are also being discussed by peak organisations such as the G-7, G-20 and OECD.

### QUESTION BANK 7D

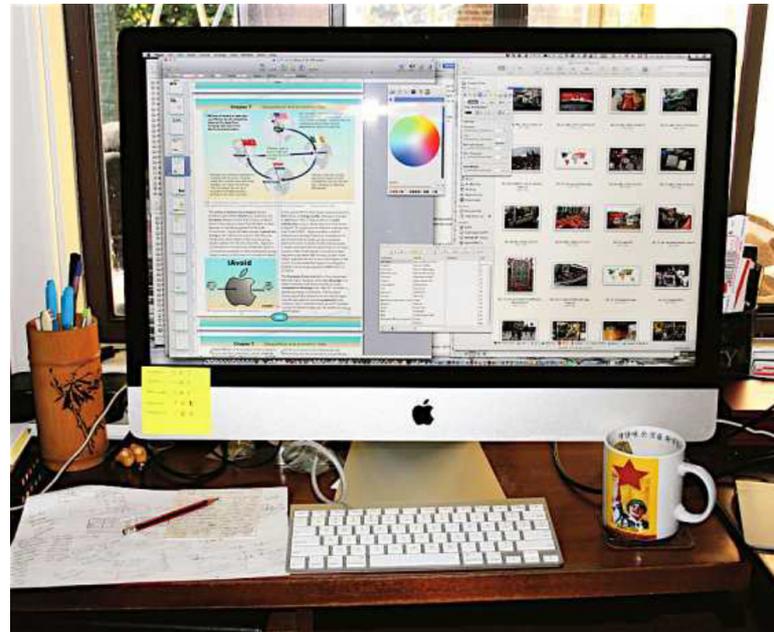
1. What is 'profit repatriation'?
2. With reference to figure 7.18, describe the broad world pattern of corporate tax rates, noting the main areas where (a) low corporate tax rates are found, and (b) high corporate tax rates are found.
3. Explain the impact that the distribution of corporate tax rates shown in figure 7.18 might have on investor's decisions on (a) where to locate a new factory, and (b) where to establish shell companies or subsidiaries.
4. What is a tax haven? What incentive is there for a government to establish a country as a tax haven?
5. Explain the difference between 'tax avoidance', 'tax mitigation' and 'tax evasion'.

**Table 7.2**  
Actions that generate illicit financial flows.

Actors involved	Source of earnings	
	Money legally earned	Money illegally earned
Criminal organisations		<ul style="list-style-type: none"> <li>• Drug trafficking</li> <li>• Human trafficking and smuggling</li> </ul>
Individuals	<ul style="list-style-type: none"> <li>• Tax evasion</li> <li>• Evasion of currency controls</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption</li> <li>• Embezzlement</li> </ul>
Corporations	<ul style="list-style-type: none"> <li>• Tax evasion</li> <li>• Profit shifting</li> </ul>	<ul style="list-style-type: none"> <li>• Violation of intellectual property rights</li> <li>• Illegal exploitation of natural resources</li> </ul>

Source: World Bank Group (2017) *World Development Report – Governance and the Law*. p.279.

6. Outline the situation described in table 7.1, and explain the impact of this situation on tax receipts in the United States.
7. Describe Apple's tax avoidance with reference to the data in table 7.1 and the reasons that the situation arose. Relate Apple's tax avoidance to the pattern of corporate tax rates shown in figure 7.18.
8. Giving reasons to support your answer, which parties to Apple's tax avoidance do you believe are in the right, and which are in the wrong? Mention specifically each of the following: (a) Apple, (b) the Irish Government, (c) the European Union, and (d) the US Treasury.
9. How do some wealthy people minimise or avoid paying taxes?
10. What are Illegal Financial Flows (IFFs), how do they arise and what is their impact?



**7.23** Personal computers have democratised many functions that used to be handled exclusively by specialised businesses, such as desktop publishing.

### Disruptive technological innovations

There is no doubt that one of the great challenges to business today is the impact of **disruptive technological innovations**. In addition to presenting **challenges**, disruptive technological innovations also offer **huge opportunities** to businesses that are visionary, agile and adaptive. Disruptive technologies are defined as innovations that displace established technology, either by transforming an industry or by creating a groundbreaking new product that creates a completely new industry.

The term 'disruptive technology' first came into use in 1997 when a Professor from Harvard Business School, Clayton Christiansen, distinguished between sustaining technology and disruptive technology. **Sustaining technology** relies in incremental, evolutionary improvements to established technology. **Disruptive technology**, on the other hand, often initially confuses people because its initial iterations are often bug-ridden, appeal to a limited audience, or make sense only to a few people. As the disruptive technology develops in the hands of visionary innovators, its appeal widens, its performance improves, and it comes to **transform** industries and people's lives.

The **rate of change** caused by disruptive technological innovations is becoming more rapid. In recent decades, **examples** of disruptive technological innovations include the following:

- **Personal computers** began by replacing typewriters (using word processing applications) and calculators (using spreadsheets), and they have evolved to become indispensable tools for work and communication.
- **The internet**, which began as a military and academic project, has grown into a globally integrated network that uses the TCP/IP protocol to link millions of computers, enabling near-instant communication, file-sharing and collaboration.
- **E-mail** has transformed the way people communicate, and its speed, low cost, and flexibility to send attachments, have enabled it to replace most letter-writing, disrupting postal systems and the greeting card industry.
- **Mobile phones** have reduced the cost of installing the complex infrastructure needed to support landline telephones, reducing the cost of phone access (especially for people in remote areas and developing countries where mobile phone towers have been installed), and making it possible for people to make phone calls almost anywhere, thus disrupting the telecommunications industry.
- **Laptop computers and mobile computing devices** such as smartphones and tablets have enabled people to conduct their business and work tasks away from fixed places of work by

connecting to remote networks, therefore enabling collaboration and video-conferencing to occur between people in several locations, including in other countries.

- **Cloud computing**, which stores and shares data on remote servers has improved the security of data backups and facilitated the sharing of collaborative data in ways that preserve the security of in-house systems.
- **Social networking** has changed the way people communicate, and this has disrupted traditional telephone, e-mail, instant messaging and event planning systems.

Disruptive technology appeals to some types of businesses more than others. In general, **large corporations** have evolved to operate the sustaining technologies that helped them grow and achieve their market strength. Established companies are usually highly competent at knowing their market, providing the products their customers have traditionally wanted, and having systems in place to develop and refine their existing technology. These characteristics often make large companies either **resistant** to disruptive technologies or **blind** to the ways that new disruptive technologies might help them tap into potential efficiencies, cost-savings, or new marketing opportunities. This is why disruptive technological innovations are usually pioneered by **new start-up businesses** that do not have to adapt existing business models or staffing structures to entirely new ways of thinking.

Peter Drucker, a writer who described himself as a 'social ecologist', wrote that "*the greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic*". This suggests that **turbulence** and **disruption** is the 'new normal', and the businesses that thrive are the ones that embrace disruptive technological innovations. In addition to political and economic changes, which have always been present, there are **five key forces** that are disrupting established patterns in the world today, causing deep structural changes:

- **Technology:** Many recent technological changes have centred on mobile communications technology. There are now more mobile phones than people in Africa, and a majority of people in developed countries own at least one mobile



**7.24** Mobile phones have transformed communications in most parts of the world. In this view, a man selling baby cribs in the markets in Osh, Kyrgyzstan, conducts a business transaction on his mobile phone.

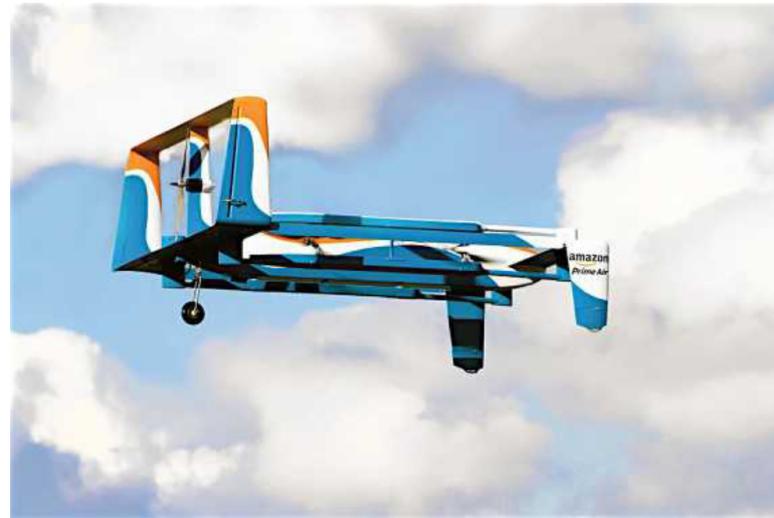
phone – a device that didn't exist a few decades ago. In the form of smartphones, these small, cheap, powerful devices have enabled easy communication with other people, and also access to much of the world's information via the internet.

- **Institutions:** Changes are occurring within institutions in terms of their power in the world and the rules by which they operate. Institutional change has been most significant in industries such as banking, entertainment, car production, pharmaceuticals, and energy where new competitors have entered the marketplace.
- **Demographics:** Changing distributions of population, the shifting balance between countries with rising young, growing populations on one hand, and shrinking, ageing populations on the other, together with the rise of an emerging global middle class, all affect businesses, forcing them to re-examine the products they produce and the services they provide.
- **The environment:** Environmental change, and especially the changes caused by climatic shifts, together with growing societal pressures for businesses to operate sustainably, have changed the balance between profits and energy use in the priorities of many responsible businesses.
- **Social values:** Society's expectations of what is right and wrong, important and unimportant, normal and abnormal, are changing. This is reflected in changing societal expectations of

factors such as who may get married and who may not, whether women should receive equal pay for equal work, what success in the workplace means and how it should be measured, whether flexible working hours are acceptable, and whether work needs to be performed in an office or remotely at home.

Of these five changes, **technology** is probably the key factor that is changing our world and the way businesses operate. Some key **disruptive technological innovations** that are posing threats to established ways of operating include:

- **Advanced materials:** Innovative technology has enabled technicians to modify existing materials at the molecular level, creating new materials with advanced characteristics such as carbon fibre that is used to manufacture aircraft, bike frames, and other materials that have enabled advances in medical equipment. Engineers are hoping to produce even more advanced materials that will be self-healing and self-cleaning, remembering their original shapes even if they have been bent.
- **Autonomous vehicles:** Several companies including Volvo, BMW, Google, Apple, Tesla and Uber are testing self-drive vehicles. Although still at the experimental stage and prone to occasional accidents, software bugs and possible hacking, they offer the possibility of transforming individual transportation as well as the automotive industry.
- **Drones:** Also known as unmanned aerial vehicles (UAVs), drones are flying vehicles that are controlled remotely, either by a ground operator



7.26 An Amazon prime drone.

using a remote controller, or by a more sophisticated self-directed, pre-programmed system that uses an onboard computer. Although drones are widely known for their reconnaissance and destructive strike roles in warfare, the number of civilian drones far outnumbers the number of military drones.

Civilian roles for drones include aerial photography, video production, traffic congestion monitoring, remote sensing for research, crop monitoring in agricultural production, search and rescue missions, checking the condition of structures such as pipelines and power lines, detecting animal poachers, monitoring borders for illegal intrusions, monitoring air pollution, measuring volcanic activity, smuggling, and monitoring environmental conditions. In 2017, Amazon announced it was developing a delivery system using drones that would deliver packages to customers, dropping them by parachute, magnets and spring coils to delivery addresses within 30 minutes of an order being placed online.

Although most military drones are produced in the United States and Israel, the main producers of civilian drones are made in China, France and the United States. One of the challenges for businesses wanting to use drone technology is that their use is banned in many places for safety reasons (such as near many airports) and for security reasons in countries such as Egypt).

Many people are also concerned about the threats to personal privacy that drones pose, as they can be used to spy on people as they fly over people's



7.25 An experimental Amazon drone carrying cargo.

property and in public spaces. Other people worry about the danger of drones crashing, either due to a software malfunction or human error, as their use is usually unregulated in those countries where their use is permitted.

- **Energy storage:** As the price of lithium-ion battery packs falls, the viability of electric cars will improve, thus reducing fossil fuel consumption and the production of greenhouse gases. Tesla, a company that manufactures electric cars, has installed the world's largest lithium-ion battery storage facility in southern California with the capacity to power 2,500 households for a day. In 2017, following several major energy blackouts, the South Australian Government announced plans to build a power station fuelled by natural gas that will be supplemented by 100 megawatts of lithium-ion battery storage. Furthermore, renewable energy production using wind and solar sources will become more attractive as large-scale energy storage becomes possible. This will have major impacts on the transport, power generation, oil and gas industries.
- **Genomics:** Diagnoses and medical treatments of diseases and degenerative conditions using genetic analyses is becoming more accurate and affordable as supercomputers increase in power and data input becomes more accurate. Doctors using this technology predict that patients' lives will be extended between six months and two years by 2025 using this technology, which they hope will become so commonplace that it will be installed on laptop computers in each doctor's surgery.
- **Internet of Things:** While the internet connects computers, the internet of things (IoT) networks software-equipped objects such as household appliances, medical equipment, cars and trains to exchange data and change physical operations. The Internet of Things enables tools and products to be controlled remotely, and to communicate data such as the condition of machinery, the structural integrity of buildings and bridges, and the condition of an aircraft in flight via the internet.
- **Robotics:** Industrial robots are becoming increasingly proficient in the manufacturing

processes and assembly of products, completing complex but routine tasks with a high degree of accuracy. It is expected that robots will transform tasks such as manufacturing, maintenance, cleaning and surgery by improving quality and replacing human labour.

- **3-D (three dimensional) printing:** Also known as additive manufacturing, 3-D printing produces physical objects by reproducing a digital model, building up an object by adding successive layers of materials such as metal powder, synthetic resin, polymers or paper.

First developed experimentally in Japan in the 1980s, 3-D printers now offer the potential to simplify and improve traditional manufacturing processes that use production lines featuring a sequence of complex processes. Compared with traditional manufacturing processes, 3-D printing minimises waste, reduces errors, and allows prototype products to be produced in draft form quickly and cheaply.

3-D printing is expected to have applications in such diverse areas as the production of clothes, shoes, optical equipment including lenses and spectacles, car bodies, aircraft parts, armaments, body parts for replacement surgery, ornamental building components, and even food.



7.27 A 3-D printer.

One of the challenges of using 3-D printers is that intellectual property rights are violated more easily than using traditional techniques. Patent infringement and the production of pirated (counterfeit) goods are risks that worry many companies as regulations in this new legal area lag behind the technological changes. Other risks of 3-D printing include the danger of easily producing unauthorised weapons such as knives and guns, and the health risks that arise when microscopic particles are released that aggravate respiratory conditions.

### QUESTION BANK 7E

1. What is the difference between 'disruptive technological innovations' and sustaining technologies'?
2. Describe some significant disruptive technological innovations that have caused significant changes over the past decade or two.
3. Explain why technological innovations can be so disruptive for established companies and industries.
4. Do you agree or disagree with Peter Drucker's comment that "the greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic"? Give reasons to support your conclusion.
5. Rank the five key forces that disrupt established patterns, and justify your ranking.
6. Describe the impact of drones, 3-D printing and two other disruptive technological innovations.

## Increased globalisation and renewed nationalism and tribalism

### Nationalism

Increased globalisation has brought diverse peoples and nations together in ways that were impossible in earlier centuries. Although globalisation has led to widespread cultural homogenisation, paradoxically it has also led to a rise in nationalism and tribalism. **Nationalism** is a strong feeling of patriotism, loyalty to one's country, sometimes accompanied by a feeling of superiority over people from other countries. In general, nationalism refers to an existing nation-state, but it can be also refer to the yearning for the creation of a new state or independence for a colony or an

occupied territory. In extreme cases, nationalism can morph into **jingoism** or **xenophobia**, which is an intense or irrational dislike of people from other countries. When people feel an intense loyalty to a group that is not their country, such as to their ethnic group, religious group or racial group, their feeling of loyalty can be classified as **cultural nationalism**, or **tribalism**.



**7.28** A car with two 'fronts' and two drivers provides an eye-catching display of US nationalism during a street parade in Houston, Texas (USA).

Anthony D Smith, the Professor Emeritus of Nationalism and Ethnicity at the London School of Economics, said there are certain **criteria** required to give a nation its identity:

- a fixed homeland (current or historical)
- high autonomy
- hostile surroundings
- memories of battles
- sacred centres
- languages and scripts
- special customs
- historical records and thinking.

There has been a **resurgence** of nationalism in many parts of the world in recent decades. One reason for this is that with the break up of the Soviet Union and the disintegration of Yugoslavia, many people have perceived a growing trend for ethnic groups to achieve **autonomy** and control their own destinies. This has encouraged groups such as the Palestinians, the Kurds, the Chechens and the Tuaregs to campaign for their own nation-states.

A second explanation for the resurgence is that many people see nationalism as a force to **counter the cultural homogenisation** that globalisation brings. In this way, nationalism can provide a sense of identity and stability in a rapidly changing world.

A third reason for the resurgence of nationalism is less idealistic, and this is the use of nationalism as a weapon of **reaction against immigration**. In several countries of Western Europe, conservative people have become alarmed by what they see as large-scale immigration of migrant workers from Muslim countries such as Turkey, and nationalism has been invoked as a response.

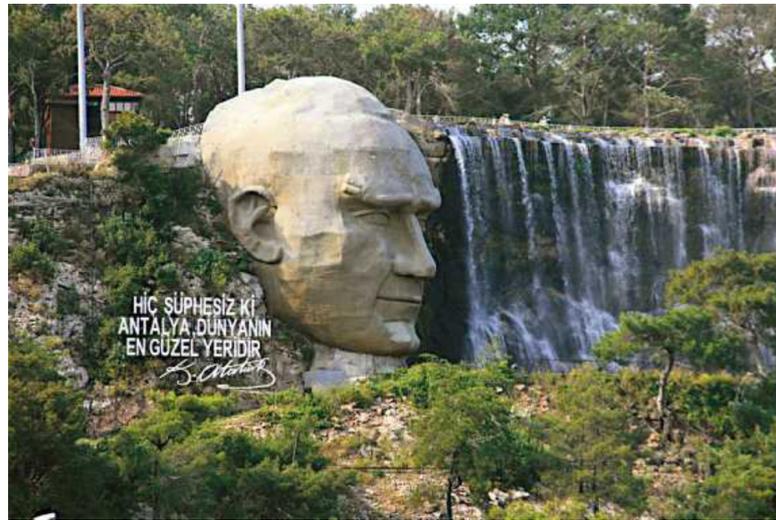
### CASE STUDY Nationalism in Turkey

One example of a country where the **resurgence of nationalism** is an important factor today is Turkey, a largely Muslim country that is situated in western Asia (occupying the Anatolian peninsula), with a small piece of territory also at the far south-east corner of Europe.

Mustafa Kemal Atatürk founded modern Turkey as a **democratic, secular republic** in 1923 following the collapse of the Ottoman Empire after World War I. Since that time, Turkey has become tightly integrated with the West through its membership in organisations such as NATO, the OECD, the Council of Europe and the G-20 major economies. Turkey has applied for membership of the European Union.

One of Atatürk's important foundations of Turkey was its secular government. A **secular** administration is one that has no religious or spiritual basis. In a nation-state where 98% of the population is Muslim, this was a decision that sent Turkey along quite a different path of development to many other countries in the Middle Eastern region.

Turkey's focus on secular nationalism rather than Islam has had consequences throughout the country's modern history. More than many other Muslim countries, Turkey has emphasised its secular nationalism by requiring that women not wear **headscarves** in schools, universities or government offices, and with prominent displays of the national flag. The ban on headscarves in



7.29 A huge sculpture of modern Turkey's founder, Mustafa Kemal Atatürk, looks across to the Turkish city of Antalya.

government buildings is seen by many people in Turkey as discriminatory, as many Muslim women wish to express their religious faith and devotion to Islam by wearing their headscarves.



7.30 A large Turkish flag flies in front of the Galata Tower in Istanbul. Despite its official status as a secular state, Turkey's flag displays the crescent moon and star that symbolise Islam.

There have been incidents in recent history when Turkey's nationalism has been expressed through **violence**. For example, in September 1955, about 100,000 took part in a government-sponsored program of attacking foreigners' homes, schools and churches in Istanbul, the country's largest city. Huge piles of materials taken from foreigners' shops were placed in the streets and either taken by Turks or destroyed. As a result of these attacks, almost everyone who could not claim to be Turkish left Istanbul, a remarkable change for a city that had for centuries been marked by tolerance and acceptance of people from many lands.



**7.31** When given the choice, many Turkish women choose to wear headscarves.

Turkey's nationalism is also expressed at times by government suppression of 'alternative nationalisms' (**tribalism**), such as claims for autonomy by minority groups such as the Kurds and the Armenians.

In 2004, the Turkish government labelled university researchers who wanted to discuss the Kurdish and Armenians claims 'traitors'. In 2007, Turkish nationalists murdered a famous Turkish writer, Hrant Dink, after he wrote about the expulsion and killing of hundreds of thousands of Armenians in eastern Turkey in 1915. As an ethnic Armenian, Hrant Dink had labelled the action as **genocide**, but he was convicted of insulting the Turkish nation as a consequence. Turkish nationalists surrounded his office with shouts of "Love Turkey or leave it!", and he received hundreds of death threats before being murdered shortly afterwards. Since that time, about 50 other writers have been put on trial, charged either with 'attempting to influence the outcome of judicial proceedings through their writings' or for 'insulting Turkishness'.

Turkey's application to join the **European Union** is having an impact on the resurgence of nationalism in Turkey. For Turkish nationalists, joining the EU would mean a **loss of Turkish identity**, and the EU application has therefore led them to increase their efforts to oppose EU membership by emphasising Turkish **nationalism** and **identity**. On the other hand, supporters of EU membership realise that violent nationalism in Turkey will work against the success of their application. Therefore, they are making efforts to reduce nationalist tensions by showing greater **tolerance** for dissenting viewpoints, which is what the EU demands.



**7.32** These university students in Istanbul are protesting against the government policy that denies women the choice of wearing a headscarf in government offices, schools and universities if they choose to do so.

Despite this, the government is **resisting demands** for freedom to wear headscarves in educational institutions and government buildings on the grounds that it does not want to be seen to be encouraging fundamentalist Islam. Although Islam is seen as an important part of Turkish identity, Atatürk's secular foundation of the modern Turkish state is also seen as important. Many Turkish people are demanding an Islamic state. For secular Turks, this is sometimes interpreted as a threat to nationalism and the distinctive identity of Turkey as a nation-state. An attempted Islamic revolution in Turkey failed in 1997 when it was suppressed by the army. For many Turkish people, Islam is an important part of their identity with a long history, and they are demanding the freedom to express their faith in their day-to-day lives.



**7.33** Mosques dominate the skyline of Istanbul, demonstrating Turkey's long association with Islam.

QUESTION BANK 7F

1. What is meant by the term 'nationalism', and how is it different from 'tribalism' and 'jingoism'?
2. Why is there a resurgence of nationalism in many countries today?
3. To what extent is the resurgence of nationalism in Turkey a consequence of attempts to regain control of its culture and its resources?



**7.35** The border between China and North Korea runs along the small stream through the middle of this photo. China is the hilly, wooded area on the left, while North Korea is the cropland on the river flats. This national border is unusual because the entire stream is neutral territory belonging to both countries, so the territory of each country begins at the edge of the river. In contrast, most national borders on rivers run along the middle of the stream, splitting the river's water between the two countries. Both China and North Korea have erected fences to prevent smuggling and unauthorised migration.

**Geopolitical tensions and conflicts**

Nationalism is closely related to the concept of the **nation-state** that was discussed earlier in this chapter. Despite the process of globalisation, there has been an increase in **nationalism** since 2000 that has in turn led to louder assertions of national identity, increased tensions between countries and a disintegration of international co-operation. In some cases, greater nationalism is shown in trade disputes and trade wars, arguments over currency exchange rates, the rise of anti-immigration political groups, greater resource nationalism, and in some cases, the outbreak of wars and conflicts.

**Political tensions and conflicts** can arise between nation-states for many reasons. Many conflicts in recent years can be traced to disagreements over

resources, and the ownership of territory in which resources are found. We therefore need to examine the nature of **national boundaries**.

Although boundaries appear as simple lines on maps, complex sets of laws revolve around them.

**争做文明边民 构建和谐边境**

1. 珍惜美好生活，遵守边防法规。  
Cherish a good life, abide by the border regulations.

2. 严禁从事非法贸易、走私、贩毒等违法犯罪活动。  
Forbidden to engage in illegal barter, smuggling, drug trafficking, and other illegal and criminal activities.

3. 严禁破坏边界标志、边防设施等行为。  
Forbidden to damage the boundary marks and the border facilities.

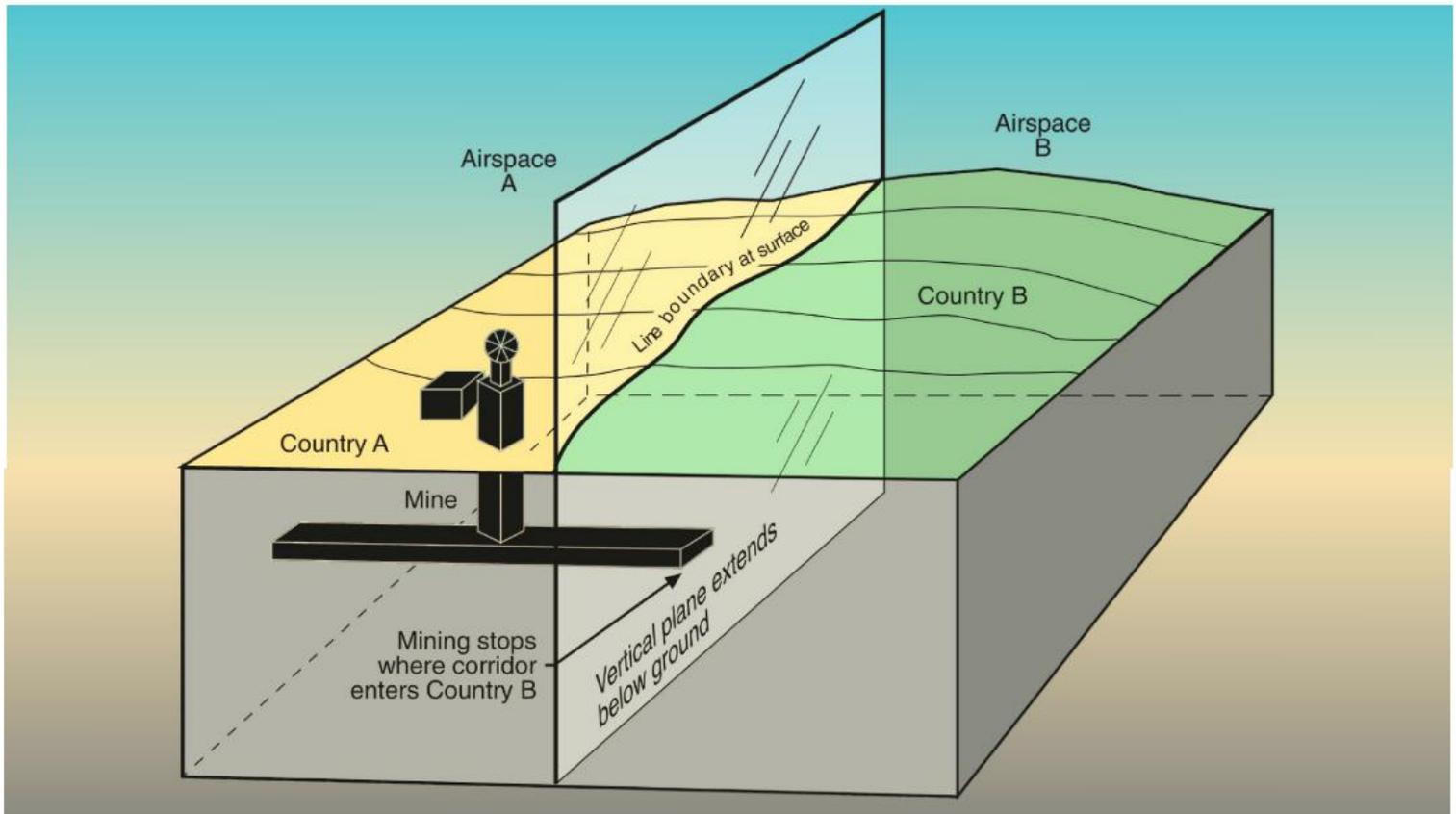
4. 禁止向朝方投掷物品。  
Forbidden to throw things to North Korea.

5. 禁止游客向朝方军人拍照、摄像。  
Forbidden to take a photo and camera of North Korean soldiers.

6. 中边境地区 严禁越界。  
Forbidden to cross border in border area.

辽宁省边海防委员会办公室 丹东军分区 宣

**7.34** A sign in Dandong, China, on the border between China and North Korea, with instructions regarding required behaviour. The English wording for each picture reads as follows: (Top row, left to right): 1. Cherish a good life, abide by the border regulations. 2. Forbidden to engage in illegal barter, smuggling, drug trafficking, and other illegal and criminal activities. 3. Forbidden to damage the border marks and border facilities. (Bottom row, left to right): 1. Forbidden to throw things to North Korea. 2. Forbidden to take a photo and camera of North Korean soldiers. 3. Forbidden to cross border in border area.



7.36 A geopolitical boundary affects the rocks beneath the surface as well as the air above it.

A **boundary** is actually like a vertical sheet that cuts through the rocks beneath the surface and the air above it. The legal control of governments extends to the limits of these boundaries, including the air above the surface and the rocks (and mineral deposits) beneath. Where boundaries follow a natural feature, such as a mountain range or a river, the boundary usually follows the middle of the feature unless special circumstances apply.

Boundaries above and below the surface can cause **conflict**. Nation-states insist that they control the airspace above their territory, and thus have the right to refuse entry to aircraft if they wish. It was for this reason that the Soviet Union insisted it was right in shooting down a South Korean airliner that flew off course over Sakhalin Island in September 1983, causing the death of 269 passengers.

A war between **Iraq and Kuwait** in 1991 was caused by a similar way of thinking. When the boundary was drawn between Iraq and Kuwait, no-one knew that a large oil field called the Rumaylah reserve was situated beneath the surface. In 1990, the Iraqis claimed that Kuwait was drilling too many oil wells on its side of the border, depleting the underground oil deposits. Furthermore, the Iraqis claimed that the Kuwaitis were drilling oblique oil wells from the surface in Kuwaiti

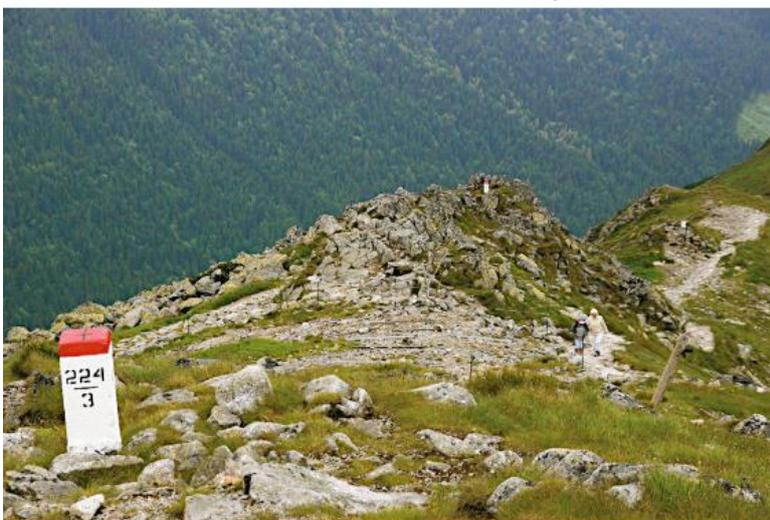
territory into Iraqi underground territory. The dispute led to war in early 1991 into which the United States, Britain and other major powers were drawn.

Boundaries are a common source of conflict, because they frequently do not coincide with **ethnic or cultural differences**. In other words, cultural nationalism (**tribalism**) does not coincide with nationalism. Several types of national boundaries exist. **Geometric boundaries** are straight lines that bear no relationship to the physical environment or cultural groups living in an area. Several of the boundaries imposed by the colonial powers upon Africa are geometric boundaries, such as between Algeria and Mali, Egypt and Libya, and Namibia and Botswana. The long boundary between the United States and Canada is another example of a geometric boundary for most of its length, and most Australian state borders are also geometric.

**Physical-geopolitical boundaries** follow natural features, such as a river or the summit of a mountain range. The border between the Australian states of New South Wales and Victoria is a physical-political boundary for most of its length, as it follows the course of the Murray River. Other examples include the border between China and Nepal, which follows the Himalaya Mountains,

and between Russia and north-east China which follows the Amur River. This last example has caused conflict, as the course of the river has changed over the years. Inter-national law states that a boundary between two nation-states in a navigable river shall follow the central line of the main channel. However, shifts in the main channel meant that islands which were once in one country shifted to the other side of the channel. China and Russia, or the Soviet Union as it was at the time, fought a short and bitter border war in March 1969 over Chenpao Island, a desolate island in the middle of the Amur River which became disputed territory.

A third type of boundary is the **arbitrary boundary**. These boundaries usually arise following an armed conflict, and represent a compromise between two hostile groups. A well-known example of an arbitrary boundary was the division through Berlin between the occupying forces of the Soviet Union to the east, and the armies of France, Britain and the United States to the west. In 1961, this boundary became a symbol of the divide between the capitalist west and the communist east when the Berlin Wall was built. The Berlin Wall remained a symbol of



**7.37** The white red-topped concrete posts mark the precise boundary between Poland and Slovakia on Mount Kasprowy Wierch. In general, this physical-political boundary follows the ridge line separating two watersheds.



**7.38** Ethnic territories and national boundaries in Africa. Tribal boundaries were largely ignored by the European colonial powers which drew the boundaries. This has resulted in great ethnic diversity in many nation-states, often leading to conflict.

division until 1989 when it was destroyed by a popular uprising, symbolising the re-unification of Germany.

The fourth type of boundary is the **cultural-geopolitical boundary**. These boundaries attempt to follow the borders between ethnic or cultural groups, or linguistic groups. A problem with these boundaries is that boundaries between ethnic groups are seldom 'clean', and quite a degree of mixing occurs in a transition zone. Furthermore, the areas inhabited by particular groups are likely to change over time, and this can lead to conflict if the boundaries are not adjusted – and also when attempts are made to adjust them! When Russia took control of the Crimea region of Ukraine in 2014, it justified the annexation on the grounds that most of the population was ethnically Russian (not Ukrainian), that the people in the area wanted to be part of Russia, and that the region had historically been part of Russia from 1783 until 1954 when it was arbitrarily transferred from Russia to Ukraine by a decree of the Presidium of the Supreme Soviet of the USSR.



**7.39** This boundary marker has been preserved in Berlin, Germany, to mark the former international boundary between East and West Germany. Deutsche Demokratische Republik means 'German Democratic Republic', which was the official name of the communist nation-state of East Germany.



**7.40** One of the few remnants of the Berlin Wall that is preserved. This view shows a section of the wall, looking from the former Communist (or eastern) side on Bernauer Straße.

During the 1990s, the former nation-state of **Yugoslavia** disintegrated into several smaller countries. A major factor in the conflict was that many **ethnic groups** with long histories of tribalism had been grouped together in the one nation-state, but the traditional rivalries remained. Attempts were made to re-draw cultural-political boundaries so that the ethnic differences could be accommodated, but the task proved too difficult because of the complex mixing of groups that had evolved over the centuries.

Tourist brochures used to claim that Yugoslavia had seven borders, six republics, five ethnic groups, four religions, three languages and two alphabets. In fact, the diversity was even greater than this because in addition to the five main ethnic groups

(Serbian, Croatian, Macedonian, Montenegrin and Slovenian), there were 13 other ethnic groups with smaller though still substantial numbers. In addition to the three major languages (Serbo-Croat, Macedonian and Slovenian), there were several others, and radio broadcasts were made in seven languages while newspapers were printed in eleven.

Ethnic diversity does not necessarily mean a nation-state is not viable. In addition to the ethnic differences within many **African countries**, shown in figure 7.38, other countries have significant differences. For example, **Belgium** is divided almost evenly between speakers of Dutch in the north and speakers of French in the south without any conflict. In **Yugoslavia**, conflict arose because of a combination of the ethnic diversity, a long history of changing alliances and warfare, and the economic differences that had been allowed to grow between the ethnic groups.

Government investment had been concentrated in the major cities, especially in Serbia and Bosnia, while out-lying areas inhabited by ethnic minorities such as the ethnic Albanians in Kosovo and the Muslims in Bosnia had been allowed to remain impoverished. The horror of ethnic conflict reached a climax in July 1995 when Serbian forces initiated a program of 'ethnic cleansing', or genocide, against ethnic Bosniaks (Bosnian Muslims) living in the small mountain town of Srebrenica. This resulted in the deaths of 8,000 men and boys within a three-day period, the largest mass killing in Europe since World War II.



**7.41** Buildings in Mostar, Bosnia-Herzegovina, damaged during the civil war. Bullet marks are still visible on the walls.



7.42 The town of Srebrenica in the mountainous north-east of Bosnia-Herzegovina.

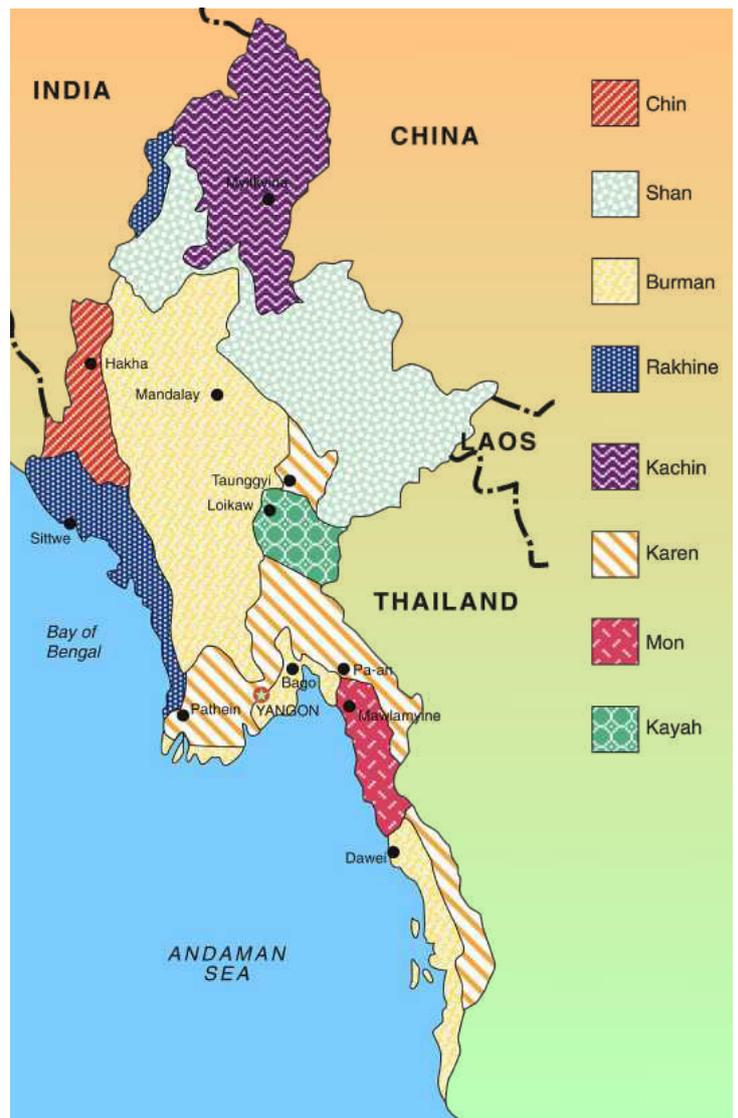


7.44 A small section of the Srebrenica-Potočari Memorial and Cemetery to Genocide Victims, where many of the victims of the genocide are buried.



7.43 Many of the buildings in Srebrenica still bear the scars of intense fighting in the 1990s.

ethnic groups migrated to Myanmar from different areas over the centuries. The Burmans migrated from Tibet, the Mon-Khmer from Cambodia, the Shan from Thailand, and so on.



7.45 The distribution of Myanmar's main ethnic groups.

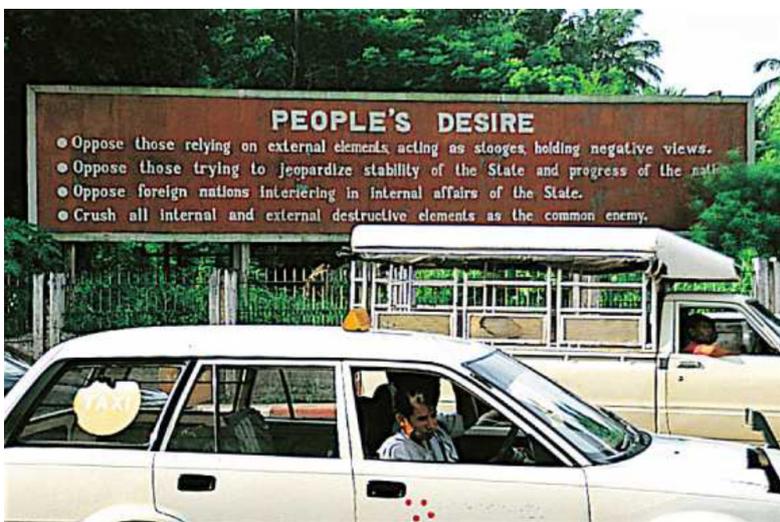
Ethnic differences have been responsible for many conflicts. One example of almost constant unrest, conflict and civil war caused by **ethnic conflict** is **Myanmar** during the period since independence in 1948. Myanmar, which used to be known as Burma, has eight main ethnic groups – Burmans (or Myanma), Karens, Chin, Shan, Rakhine, Kachin, Mon-Khmer and Kayah.

These groups are divided into many smaller tribal groups, and altogether there are almost 70 different ethnic groups and tribes in Myanmar. Each of these groups has its own style of dress, language or dialect.

It is estimated that the ethnic breakdown of Myanmar is 65% Burman, 10% Shan, 7% Karen, 4% Rakhine and 2.3% each of Chin, Kachin and Mon-Khmer. Other recently migrated ethnic minority groups, such as Chinese, Indians and Assamese make up about 1% each of the population. These

This history of **migration** has led to a long history of **conflict**, especially between the Burmans and the Mon-Khmers, each of which managed to control the other at different times in history. The Burmans were in control in the late 1800s, when the British arrived and colonised all the feuding ethnic groups. However, the British never managed to control the ethnic minorities completely, and these groups were given some autonomy and self-government.

When Myanmar became independent in 1948, the ethnic groups were promised a degree of independence, but for various reasons this was never implemented. This led to **armed conflict** as several ethnic groups formed their own armies to fight to secede (separate) from Myanmar. By the early 1990s, there were 35 separate insurgent factions fighting the central government of Myanmar, mainly in the mountainous border areas. The numbers in these armies varied from as few as 50 (in the Tai National Army, Kayah New Land Revolution Council and Palaung State Liberation Organisation) to tens of thousands (Mon-Tai Army and Shan United Army). Although the Myanmar Government signed ceasefire agreements with eight rebel ethnic groups in 2015, the conflict continues today in what is commonly known as the world's longest-running civil war.



**7.46** A large sign designed to encourage loyalty to the central government in Myanmar.

Several of these armies operate in the area known as the 'Golden Triangle', and so are financed by growing and selling opium, or by charging taxes on goods smuggled through their areas of control. The instability caused by the conflicts has led to major propaganda campaigns within Myanmar to develop loyalty to the central government.

The impression that many people have is that of all the various regions in the world, it is the **Middle East** that has the most complex political tensions. Furthermore, some of the conflicts in the Middle East seem to have a longer history than conflicts elsewhere, and they seem to be the most difficult to solve.

The term 'Middle East' was developed in Europe to describe the region immediately east of Europe, in contrast to East Asia, which was labelled the 'Far East'. The core area of the Middle East is the ancient area known as the Fertile Crescent (Egypt, Iraq, and the countries of the Levant, which are Lebanon, Syria, Jordan, Palestine, Israel, Cyprus and southern Turkey). Today, the term 'Middle East' is used a little more loosely, and in addition to the core area it also includes the Arabian Peninsula and Iran.

Since 1900, there have been more than 80 **armed conflicts** within this region. It is impossible to know the precise number of casualties in these conflicts, but the total amounts to many millions. Indeed, more than one million people were killed in just one of these conflicts, the war between Iraq and Iran from 1980 to 1988.

Media reports have led many people in the West to believe that **Iran** is the cause of much of the political instability in the Middle East. Before the Islamic Revolution in 1979, Iran was one of the United States' strongest allies, but this changed when the Shah was overthrown. After 1979, the Iranian Government has adopted a strongly anti-Israel and anti-US stance, and this is shown through organised demonstrations and



**7.47** An example of a government-sponsored anti-US mural on the fence of an official compound in Tehran, Iran.

government-sponsored posters. US and Israeli government concern about Iran is heightened because Iran's government does not recognise Israel's right to exist (it refers to Israel as "Occupied Territories"), and thus it has an explicit policy to destroy Israel. The concern is exacerbated because Iran has a program to develop nuclear weapons. On the other hand, visitors to Iran report that in contrast with the government's official stance, the overwhelming majority of the Iranian population is quite pro-Western.

Iran is not the only country in the Middle East that is hostile to Israel. Several of **Israel's neighbours** (all of which are ethnically Arab) have a history of hostility towards Israel (which was founded in 1948 as a Jewish nation-state), and several wars have

broken out as a consequence, including the Arab-Israeli War of 1948, the Six Day War in 1967, the Yom Kippur War of 1973, and several conflicts with Lebanon (1978, 1982 and 2006). In recent years, Israel's relations with some of its neighbouring governments such as Egypt and Jordan have improved, but tensions remain with Syria and some political groups in Lebanon such as **Hezbollah**.

### CASE STUDY

#### The Israel-Palestine conflict

With some justification, **Israel** has felt it is a nation that is **surrounded by hostile forces** that are working to bring about its destruction. Israel is unusual in the Middle East as it is a **parliamentary democracy**, and it is unique because it is a **Jewish state**. It is more **liberal** than neighbouring Arab nations in areas such as women's dress and tolerance of homosexuality, and its level of economic development is far higher than any of its neighbouring countries.

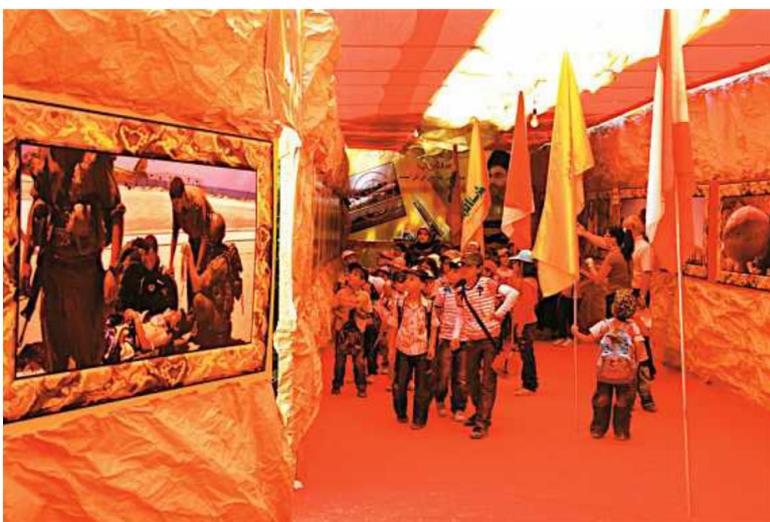
Israel was created in the aftermath of World War II, during which about six million of Europe's nine million Jews had been killed by Nazi forces during a **genocide** known as the **Holocaust**. The victorious governments agreed that the Jewish people should have their own homeland so that the horrors of the Holocaust would never be repeated, and after Israel was created in 1948 there was large-scale **migration** of Jewish people to the new country. Today, about 43% of the world's Jewish people live in Israel.

In the immediate period before Israel was created in 1948, the area was known as **Palestine**. At that time, it was occupied by British forces, which had been there since 1918 when they took over from a long period of Turkish occupation. The population of the area in 1947 comprised Arab Palestinians (1.2 million), Jews (0.6 million) and others (0.2 million). The Jewish population was thus about 30% of the total at that time, but just three years later (1950), migration had raised that figure to just over 50%.

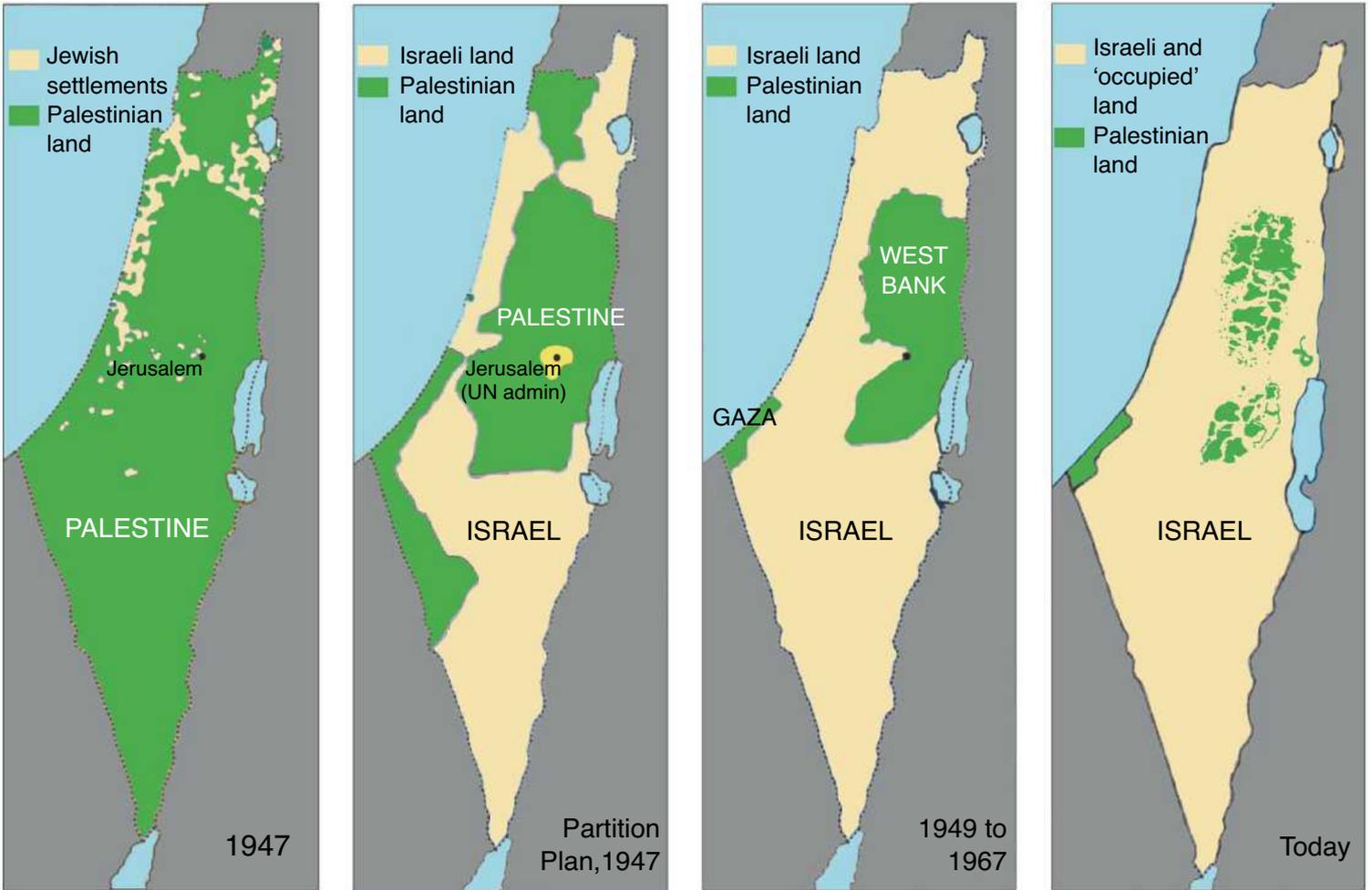
For the Palestinian population, the sudden **influx of Jews** into the land where they had been living for many centuries felt like an **occupation**. This feeling led to a deepening of **divisions** between the Jewish and Palestinian populations that have had implications well beyond Israel's borders.



**7.48** Exterior view of a Hezbollah information centre in Baalbek, Lebanon. The poster shows a Hezbollah leader with pictures of Israeli cities, ports and airports with red target symbols superimposed on them.



**7.49** School children study the interior of the Hezbollah information centre in Baalbek, looking at photos of alleged Israeli war atrocities. The red lighting symbolises the spilt blood of martyrs.



**7.50** Maps like these are a common sight in Palestinian areas to publicise the loss of land that Palestinians claim has occurred since the nation-state of Israel was created in 1948. The maps are often accompanied by descriptions of the ways in which Palestinians are stopped from travelling by the Wall that has been built by Israeli authorities, the impact of check points and road closures, and alleged human rights violations. Israeli sources dispute the accuracy of the maps, claiming they are misleading because they fail to distinguish between land that is owned by Jews and Palestinians as opposed to land that is controlled by Jews and Palestinians. Israeli sources also point out that large areas of land labelled white (Israeli land), such as the barren Negev Desert in the south of Israel, are essentially unoccupied.

In 1993 a **peace accord** was reached in the Norwegian capital of Oslo that defined **separate Palestinian territories** within the nation-state of Israel. Under the Oslo Accord, the Palestinian territories would comprise two areas that would be controlled by the Palestinian National Authority. The two areas that were defined as the Palestinian territories were the **West Bank**, which was taken by Israel from Jordan in the Six Day War of 1967, and the **Gaza Strip**, which was a small area taken at the same time by Israel from Egypt.

Since the establishment of the Palestinian territories, the West Bank and Gaza have evolved in quite different directions. Following the election of a new government in Gaza in 2007 that was controlled by **Hamas**, a staunchly anti-Israel political group, Gaza split politically from the West Bank, which was controlled by **Fatah**, a more moderate faction of the Palestinian Authority.



**7.51** Young Israeli soldiers stroll through the streets of old Jerusalem. This area was taken from Jordan during the Six Day War in 1967, and most of the population is still Arab. Therefore, some members of the group carry machine guns for self-defence.



**7.52** The Separation Wall built by the Israeli Government to isolate the Palestinian West Bank territories from Jewish controlled areas. This photo shows the Wall, looking from the Palestinian side near Ramallah.



**7.53** In some areas where the Wall has not yet been built, roads have been ripped and blocked with concrete barriers to prevent movement between Israel and the West Bank.



**7.54** The Palestinian side of the Separation Wall near Bethlehem. This area is frequented by foreign tourists visiting the birthplace of Jesus Christ. Palestinians have used the opportunity of foreign tourists' visits to paint the Wall with slogans and graffiti protesting the construction of the Wall and the restricted freedoms that have resulted from its construction.

There is frequent **fighting** between Gaza and Israel, with both sides firing missiles into the territory controlled by the other. Furthermore, Israel has imposed a sequence of **exclusion zones** to isolate Gaza, which experiences periodic **blockades** of both its land and sea access by Israel. As a result, the main way of getting into and out of Gaza is often underground tunnels between Gaza and its southern border with Egypt.

In recent years the Israeli Government has built a high wall to isolate the West Bank from the Jewish controlled areas of Israel. Various known as the **Separation Wall**, the West Bank Barrier and (in the words of some Palestinians) the Apartheid Wall, the length of the Wall is about 700 kilometres, most of which is an 8 metre high concrete wall topped by barbed wire.



**7.55** Views such as this are common near the border of the West Bank with Israel, where a road on the Palestinian side is cut abruptly as it approaches the Separation Wall. This photo shows the Wall near the town of Rumana.

According to Israeli authorities, the justification for building the Wall was to **protect** Jewish people in Israel from terrorist attacks, including suicide bombings, by Palestinian militants. Statistics show that the number of **suicide bombings** in Israel has dropped significantly since the Wall was built. Some more militant Jewish commentators worry that the Wall will be seen by outsiders as Israel giving up its claims to **control** the Palestinian territories.

According to Palestinian authorities, the Wall **deviates** significantly from the agreed boundary between Israel and the Palestinian territories. They claim, therefore, that the Wall is an illegal attempt to **take Palestinian land** as well as significantly



**7.56** This photo and the one below illustrate the difference in affluence between Israeli and Palestinian settlements in the West Bank. The two views were taken on the same day just a few kilometres apart. This photo shows a typical scene in the city of Hebron, which is inhabited by Palestinians.



**7.57** The Israeli settlement of Ramat Mamra Giv'at Harsina is located just a few kilometres north of the Palestinian city of Hebron.

harming the rights of Palestinian people to **travel, work and trade** freely.

The Wall has aggravated the differences in **living standards** and **economic wealth** between Israel and the West Bank. The Gross National Income (GNI) per capita of Israel is twelve times greater than the figure for Palestinian areas (US\$35,770 in Israel and \$3,090 in Palestine). Many Palestinians believe that the Wall is an attempt to preserve Israel's higher standard of living by suppressing economic opportunities for Palestinian people.

This feeling is exacerbated by the Israeli practice of **building settlements** in Palestinian areas. Although it is claimed by the Palestinians that these settlements are illegal under international law, Israeli settlements of various types including farms

and neighbourhood communities continue to be established throughout the West Bank and Gaza. These settlements are heavily guarded and surrounded by perimeter security, and they represent oases of comparative affluence compared with the surrounding Palestinian areas.

Finding a solution for a **sustainable peace** between the Israelis and the Palestinians has been elusive ever since the conflict began. Some commentators argue that peace will only come when Palestine is completely separated from Israel and the two countries stand together as two equal nation-states. This is the so-called '**two-state solution**'. However, the issue is larger than getting the Israelis and Palestinians to agree (which is no simple task), as the conflict is influenced by other nearby countries such as Syria, Lebanon and Iran as well as larger powers including the Russia and the United States.

### QUESTION BANK 7G

1. Explain how national boundaries are three-dimensional.
2. Give two examples of national boundaries that have caused conflicts.
3. What are the differences between (a) geometric boundaries, (b) physical-geopolitical boundaries, (c) arbitrary boundaries, and (d) cultural-geopolitical boundaries. Give an example of each.
4. Explain briefly why Yugoslavia experienced so much conflict during the 1990s.
5. Why has Myanmar experienced so much ethnic conflict since independence in 1948?
6. Suggest a realistic solution to the ethnic conflicts in Myanmar.
7. Why do think the Middle East has such a long and difficult history of political conflict?
8. Using the terms 'nationalism' and 'tribalism', explain fully why there has been so much conflict in Israel and Palestine since 1948?
9. Why are the geopolitical tensions between Israel and Palestine so difficult to resolve?
10. How would you try and solve the Israel-Palestine conflict?
11. To cross the Separation Wall between Israel and Palestine, a passport must be shown. Does that mean the Wall serves as an international boundary? Does showing a passport when travelling between China and Hong Kong mean they are separate countries? Are there any differences between these two situations?

### CASE STUDY

### Geopolitical tensions and conflict in the Korean peninsula

Ever since the late 1940s, the Korean peninsula has been the site of one of the world's longest running geopolitical conflicts. Whereas the **Cold War** between communist and capitalist societies ended in Europe during the late 1980s and early 1990s, it still continues on the Korean peninsula, flaring up from time to time into exchanges of artillery fire, shrill propaganda and even threats of full-scale nuclear war.

Korea was **occupied** by Japan from 1910 and governed as a colony until Japan's defeat at the end of World War II in 1945. A few days before the War ended, the **Soviet Union** declared war on Japan and invaded Japanese-occupied Korea. The **United States** was concerned that the USSR would control the entire Korean peninsula, so the US Government asked the USSR, which was then its ally in the fight against Japan, to halt its advance at latitude 38°N. The USSR agreed, leaving the southern half of the Korean peninsula, including the capital city Seoul, under **American control**, while the northern part of the peninsula fell under **Soviet control**.

Although it was originally intended that Korea would hold elections and become a single unified republic within a few years, the growing tensions between the USA and USSR following World War II made agreement on how to conduct this process difficult.

**Superpower tensions** grew, and each half of the peninsula declared itself to be a separate country in 1948 – the **Republic of Korea** (RoK, or South Korea) on 15th August and the **Democratic People's Republic of Korea** (DPRK, or North Korea) on 9th September. The leader of each new republic was appointed by its occupying power. In South Korea, the first leader was **Syngman Rhee**, a controversial anti-communist 'strongman' who was known for his ruthless repression of opponents. In North Korea, the Soviet leader Josef Stalin appointed the first leader personally – a 36 year old communist guerilla commander, **Kim Il Sung**. Soviet occupation forces left North Korea in December 1948, but American forces did not leave South Korea, claiming that they needed to stay because of the threat of an attack by North Korea. It is

estimated that about 30,000 US troops remain in South Korea today.

As a result of these changes, a tense situation emerged. Two nation-states emerged with **opposing political and economic systems**, each seeing itself as the **legitimate government** of the entire Korean peninsula, with ambitions for expansion fuelled by **competing superpowers**.

The tensions exploded on 25th June 1950 when **war broke out** between North Korea and South Korea. Each side blamed the other for the outbreak of war (and still does to this day). Both sides have documentary evidence purporting to prove that the other side was planning to start the war and fired the first shots. It is probably a moot point, because whichever side did not start the war would almost certainly have done so within a week or two if the documents dating from the time can be believed.



**7.58** The Korean War Museum in Seoul, South Korea, displays vehicles and aircraft used in the Korean War.



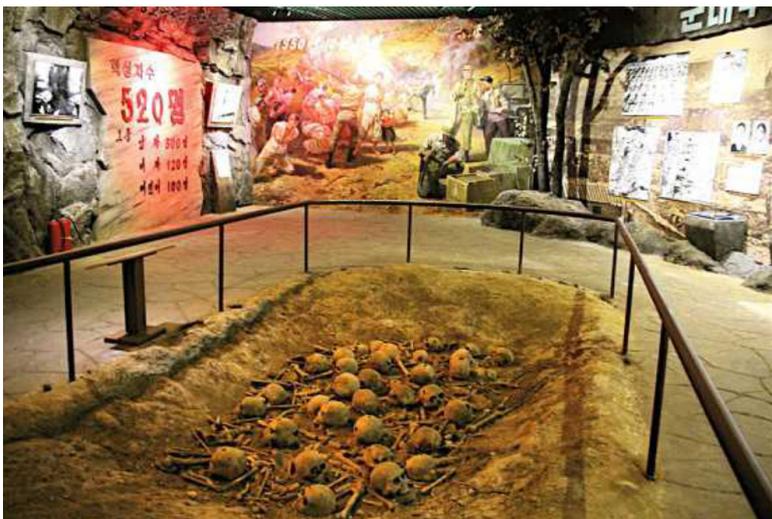
**7.59** The Korean War Museum in Pyongyang, North Korea, displays tanks and aircraft used in the Korean War, including US aircraft that were shot down or captured by North Korea.

The North Korean Army gained an early **advantage** in the war, swiftly moving south and capturing the capital city, Seoul (about 50 kilometres south of the border), within three days. The North Korean Army, known officially as the **Korean People's Army (KPA)** continued its push southwards, and by September it controlled all but a small corner of the Korean peninsula.

With a communist victory seeming to be imminent, the **United States** tried to enlist support through the **United Nations** to repel the KPA advance. The United States moved a motion with the UN **Security Council** calling on North Korea to cease hostilities and withdraw to the 38th parallel. Normally the USSR would have used its veto power to block the motion, but it was boycotting all UN meetings at the time because of a procedural disagreement earlier that year, so the US motion passed. Consequently, US Army forces were quickly sent to Korea to repel the KPA advances, supported by soldiers under the United Nations

flag from **16 other countries**. In addition to South Korea, the countries that fought under the United Nations banner were (in descending order of the number of soldiers): United Kingdom, Philippines, Thailand, Canada, Turkey, Australia, New Zealand, Ethiopia, Greece, France, Colombia, Belgium, South Africa, Netherlands, Denmark and Luxembourg.

The entry of the UN/US forces reversed the KPA advance, and within a few months, UN forces had re-taken Seoul, advanced through Pyongyang (the capital of North Korea), and driven the KPA almost as far as the **Chinese border** in the far north of the peninsula. The advance of US forces to the Chinese border alarmed China's new communist government, which had only defeated the



**7.60** The Museum of US War Atrocities was built in the town of Sinchon, North Korea, where it is alleged US Army forces carried out horrific war crimes against local people in late 1950. At the time, the area was populated by farmers, many of whom were seen to be Communist sympathisers. According to accounts that have been supported by photographs and eye witness testimonies, some particularly brutal and sadistic actions were taken by the Americans to torture and kill the civilians, including women and children. The displays in the museum are designed to educate young North Korean people about their recent history, and school groups of children as young as eight and nine years old are taken through the displays. The museum documents atrocities that include killing people by hammering nails through their skulls, tying people together and throwing them off bridges into a river to drown, various ways of torturing captives, burying people alive, burning people using red hot iron pokers, and so on. Atrocities such as these help explain why many North Koreans continue to harbour strong anti-US sentiments.



**7.61** Mr Jong Gun Song is one of three survivors of the Sinchon Massacre. He was six years old at the time, and his photo is shown on the wall behind him. In December 1950, US forces captured about 400 women and 100 children in the district, separated them into two adjacent storage huts, and left them without food or water for four days. On the fourth day, soldiers threw gasoline into the middle of the children's hut. Some of the children were so thirsty they began to drink it. Then the US soldiers threw a small ball of fire into the hut, and a raging fire broke out. The children screamed and tried to escape, but the door was locked and all but three children were burnt to death. The mothers in the nearby hut, who had heard the screams of their children, were then killed in the same way. The graves of the women and children are located near the front entrance of the Sinchon Museum of US war Atrocities. The three children who survived managed to do so because they were in the corner of the hut and the number of dead bodies above them shielded them from the flames. In this photo, Mr Jong is standing in the remains of the shed where the other children were killed.

Kuomintang (Nationalist Party) to establish itself as China's government in Beijing about a year previously (in October 1949). **China's Government** was worried that the Americans may not stop advancing at the border, and might continue advancing all the way to Beijing in the hope of overthrowing the new government.

As a response, the **Chinese People's Volunteer Army** (CPVA) entered the Korean War in mid-October 1950, sending an initial force of 250,000 soldiers that eventually grew to a little more than a million. Once again, the direction of the conflict was reversed as the KPA and CPVA forces pushed the United Nations armies back south away from the Chinese border. By mid-1951, the conflict was settling into a **stalemate** as the well-balanced opposing forces reached a type of equilibrium around the starting point for the war, the 38th parallel.

Negotiations between US and North Korean military delegates began for a cease-fire, initially in Kaesong and then in Panmunjom. The negotiations were slow and unproductive, and a couple of years passed before an **armistice** was finally signed at Panmunjom on 27th July 1953 to end the fighting. Despite the deaths of almost a million soldiers plus 2.5 million civilians during the three-year conflict, the opposing armies finished almost where they began in 1950. The armistice was not a peace treaty, but an agreement to continue peace talks, and so in a legal sense, the Korean War is still not over. Nonetheless, North Korea observes 27th July each year as a national holiday to celebrate its victory in what it calls the Great Fatherland Liberation War.

The North Koreans **claim victory** in the Korean War for two reasons. First, as a small nation, they were able to repel the world's most powerful superpower in what they believe was an aggressive attack on their territory. Second, the North Koreans quote the words of General Mark Clark, who as Commander of the United States Army in Korea, signed the armistice agreement on behalf of United Nations Forces and later wrote *"In carrying out the instructions of my government, I gained the unenviable distinction of being the first United States Army commander in history to sign an armistice without victory... I believe that the Armistice, by and large, was a fair one – considering that we lacked the determination to win the war"*.



**7.62** The armistice to end hostilities in the Korean war was signed in this building at Panmunjom on 27th July 1953. The building is now in the northern-controlled section of the DMZ.

By contrast, the Korean War is often referred to in the United States as *"the Forgotten War"*. This is unfortunate, because without knowing the history of that conflict and understanding how deeply it is etched into **North Korean psyche**, it is very difficult for non-Koreans to understand the strength of North Korean emotions or the current geopolitical tensions of the region.

The armistice established a **demilitarised zone** (the **DMZ**) to separate North and South Korea. The DMZ is four kilometres wide, with North Korea controlling the two kilometres wide northern section and South Korea controlling the two kilometres wide southern section. The DMZ is not really demilitarised, as it is heavily mined with landmines and surrounded by areas that are among



**7.63** Huge anti-tank traps mark the entrance to the northern edge of DMZ at Panmunjom, North Korea. In the event of an invasion by South Korea and the United States, pre-set explosive charges will allow the heavy overhead concrete block and the vertical side blocks to drop and block the road to advancing troops and their equipment.



**7.64** The Joint Security Area at Panmunjom, looking from the northern side towards South Korea. The border between North Korea and South Korea is the thin concrete strip that runs through the middle of the negotiating huts between the golden sand (in North Korea) and grey gravel (in South Korea).

the world's most heavily armed, including with nuclear weapons. However, within the DMZ, only small weapons may be carried.

A small area within the DMZ called the **Joint Security Area (JSA)** was established at Panmunjom to contain a line of negotiating huts. These huts, which straddle the national border and which are located with equal parts each country, are the location where talks between North Korea on one hand, and the United States and South Korea on the other, occur in a neutral setting.

Both sides have engaged in **provocative actions** in and around the DMZ over the years, and continue to do so. In the period 1977 to 1979, the United States and South Korea constructed a 240 kilometre long **concrete wall** in the southern half of the DMZ spanning the entire width of the Korean peninsula. The wall, which is effectively an anti-tank device, has a five to eight metre high vertical flank facing the north, but a sloping, grassed surface that makes it look like a normal hill from the south. Parts of the wall have north-facing cavities that can store

tanks and other assault vehicles, and the wall is topped with lookout posts and gun emplacements. North Korea accuses the United States of hypocrisy as it built the wall to divide the Korean peninsula at the same time as it was demanding that the Soviet Union tear down the Berlin Wall.



**7.66** South Korea has built tourist infrastructure around the tunnels they have found near the DMZ to inform visitors about the threat to their security by North Korea.



**7.65** The concrete wall, built by the US Army in the late 1970s, seen here in the southern section of the DMZ from a vantage point at the northern edge of the DMZ in North Korea.

While this was happening, the North Koreans were busy building **tunnels** beneath the DMZ to use as possible invasion route into South Korea. Four tunnels have been discovered by South Korea, all of which were too small to be used by tanks or trucks, but were suitable for weapons storage and troop movements. The North Koreans claimed the tunnels were exploratory tunnels in search of coal, but this assertion is not supported by the rock types (granite) in the area.

Both sides use the area near the DMZ for **propaganda**. Both sides broadcast **loudspeaker** messages into the other country, and these broadcasts have sometimes led to outbreaks of **shooting** as one side or the other tries to silence the loudspeakers on the basis that they are broadcasting insults and lies. Both sides also send **balloons** across the border to drop leaflets on the other side, sometimes with political propaganda, and sometimes with instructions on how to defect to the other side. Both North Korea and South Korea engaged in a tit-for-tat campaign during the 1980s to build the **tallest flagpoles**, constructing progressively taller flagpoles than the other side. In the end, the South Koreans stopped with a 98.4 metre high flagpole that was shorter than the one built by the North Koreans, which was 160 metres high; it remained the world's tallest flagpole until higher ones were erected in Azerbaijan, Tajikistan and Saudi Arabia in the 2010s.

In the 1950s and 1960s, North Korea and South Korea followed somewhat similar **paths to development** even though one was communist and one was capitalist. Both countries needed to rebuild their **infrastructure** after the massive damage of the Korean war, and both countries developed their heavy manufacturing industries with substantial input from their authoritarian governments. Although South Korea received substantial help through US foreign aid funding whereas North Korea received little assistance from its large communist neighbours, the USSR and China, the North Korean economy remained **more industrialised** and **more affluent** than South Korea until the mid-to-late 1970s. After that time, North Korea continued emphasising heavy industries such as steel manufacturing, whereas South Korea reoriented its economy towards producing **consumer goods**, especially electronics and



7.67 The Joint Security Area at Panmunjom, looking from the southern side towards North Korea.



7.68 South Korean soldiers stand guard at the Joint Security Area at Panmunjom. The border between South Korea and North Korea is the thin concrete strip that runs through the middle of the negotiating huts between the grey gravel (in South Korea) and the golden sand (in North Korea).



7.69 A close view of the border between North Korea and South Korea in the Joint Security Area at Panmunjom. These KPA soldiers are standing on the northern side of the border.



**7.70** The 160-metre high North Korean flagpole in the DMZ, seen here from Panmunjom in South Korea.

computer equipment.

The North Korean economy suffered a **heavy setback** when the Soviet Union collapsed in 1991. Until that time, much of North Korea's foreign trade had been conducted on a **barter** basis, whereby North Korea exported raw materials and minerals in exchange for manufactured goods that were imported. When the Soviet Union collapsed, this system stopped as former communist countries such as Russia, Kazakhstan and Ukraine all demanded payment in hard (Western) currency or gold for the products they sold.

North Korea experienced a particularly difficult period during the 1990s known as the **Arduous March**. The Arduous March was caused by a combination of **three factors**: the collapse of the USSR, the death of the founding President Kim Il Sung, and a series of natural disasters that included

severe droughts and floods. During this period, North Korea was gripped by **famine**, the **economy shrunk** by about 50% and several hundred thousand people died from **starvation**.

Politically, the paths followed by North Korea and South Korea have **diverged** since the days when they both had authoritarian regimes in the 1950s and 1960s, and this divergence explains many of the geopolitical tensions now found on the Korean peninsula. South Korea evolved into a **democratic constitutional republic** with elections every five years to choose a President from two major political parties, the Conservative Party and the Liberal Party.

On the other hand, North Korea strengthened its **self-reliant socialist system** of government, ruled by the Korean Workers' Party (a nationalistic communist organisation that is the country's only political party) under the unopposed direction of a supreme leader. Criticism of the country's leadership is illegal in North Korea. Whereas South Korea became an increasingly free, integrated component of the world's globalised economy, and a key element in global supply chains, North Korea became increasingly repressive and isolated. The government adopted policies that shunned foreign investment, restricting the number of foreign visitors because of fear that their different ideas might harm the country, and controlling all media and information. North Korea is sometimes known as '*the hermit kingdom*' because of its extreme isolation.

North Korea's founding President, **Kim Il Sung**, remained in control of North Korea until the time of his death in 1994. His son, **Kim Jong Il** was named leader of the country following the death of Kim Il Sung, and he ruled until his death in 2011, perpetuating the isolationist philosophies and policies of his father. Upon the death of Kim Jong Il, his son **Kim Jong Un** became leader, leading some commentators to claim North Korea had become a Confucianist family dynasty.

Despite his death in 1994, Kim Il Sung was named President for Eternity, and thus he remains the country's President – in fact, he is currently the world's longest serving head of state. A **personality cult** has been developed in North Korea around the Kim family, making Kim Il Sung,

Kim Jong Il, Kim Jong Un, and Kim Jong Suk (Kim Il Sung's wife and Kim Jong Il's mother) near god-like figures who deserve unquestioning, total loyalty and obedience from the population.

This **adulation** of the leadership is shown through large statues and flood-lit mosaics of Kim Il Sung and Kim Jong Il where people bow and lay flowers, the twin photos of Kim Il Sung and Kim Jong Il that decorate every home and every office in the country, and the loyalty badges worn by all North Koreans that show a portrait of Kim Il Sung and/or Kim Jong Il. Special strains of flower called the Kimilsungia and the Kimjongilia have been developed to honour the leaders, and large annual flower festivals featuring only these flowers are held in North Korea each year. It is a punishable crime to crush or fold a photo of the leaders, which explains why North Korean newspapers are seldom folded as the front page story is invariably an illustrated story about the supreme leader, his achievements, and his latest 'on-the-spot guidance'.

One of the key reasons that **geopolitical tensions** are high on the Korean peninsula is that **US troops remain stationed in South Korea** more than six decades after the armistice was signed to halt fighting in the Korean War. The **different perspectives** of the Korean peninsula's 'geopolitical players' in Korea illustrate the issues:

- **China:** China is **North Korea's firmest ally**, and this friendship and support dates back to the intervention of the CPVA during the Korean War that prevented the overthrow of the communist regime in North Korea and drove US forces back from the Chinese border. However, it is the **fear of North Korea collapsing** that is the main reason China continues to offer support through trade and aid to North Korea today. China is **worried** about two consequences of a collapse of North Korea; a massive **exodus of refugees** from North Korea into China, and **US soldiers advancing** to the Chinese-North Korean border. If there were no US troops in South Korea, it is unlikely that China would continue supporting the North Korean regime that has become increasingly embarrassing because of its human rights violations, nuclear ambitions and economic inefficiency.



**7.71** Residents of Pyongyang bow their heads as a sign of respect to Kim Il Sung and Kim Jong Il at Mansudae Hill, Pyongyang.



**7.72** The Kumsusan Palace of the Sun in Pyongyang, North Korea, is the mausoleum where the bodies of Kim Il Sung and Kim Jong Il are on display in clear glass sarcophagi. Visits to the mausoleum are treated by North Koreans as very important, highly formal event akin to a sacred pilgrimage.



**7.73** North Korea's supreme leader, Kim Jong Un, visits the Sinchon Museum of US War Atrocities and offers 'on-the-spot guidance' to those who are present.

- United States:** The United States argues that it must maintain troops in South Korea (still under the United Nations banner) to offer protection from another **possible attack or invasion** by North Korea. The United States sees the Korean peninsula as a globally strategic area of importance, arguing that if South Korea fell to communism, US security would be threatened because it would bring hostile forces that much closer to the continental United States. Moreover, the United States relies on South Korea's **electronics industry** to supply key components for its computers, mobile phones and tablets.
- Japan:** As Korea's **traditional enemy**, Japan urges the United States to maintain its troops in South Korea as a defence against North Korean actions against it. Japan favours this approach because the **large cost** involved is borne by the United States rather than Japan.
- South Korea:** The presence of US troops in South Korea is a **controversial** subject in South Korea. South Koreans overwhelmingly have a positive view of the United States and a negative view of North Korea. However, many South Koreans **resent** the presence of US troops in their country, and these feelings become inflamed when high-profile accidents or crimes by US soldiers occur. On balance, however, most South Koreans accept the presence of US soldiers (and perhaps their nuclear weapons) as a **preferable alternative** to a North Korean invasion, unlikely as this seems today given the relative weakness of North Korea compared to South Korea.
- North Korea:** The **Korean War** still has a deep impact on North Korean psyche. North Korea argues that it just wants to be left alone, but feels **insecure** because of the continuing presence of US troops on its border. This is why North Korea feels it must develop **nuclear weapons** to defend itself; North Koreans believe that the US would have invaded North Korea after it invaded Iraq if it hadn't had nuclear weapons as a deterrent at the time. North Korea argues that the United States is adopting **double standards** by saying it needs to maintain troops in South Korea for its own defence, questioning (as an example) whether the United States would also see it as self-defence if North Korea had 30,000 troops stationed on the US border in Mexico.



7.74 Hatred and fear of the United States is taught to North Korean children from a very young age. This artwork decorates the landing on a flight of stairs in a kindergarten for 2 to 4 year old children, north-east of Nampo.



7.75 Children at Pyongyang Fun Fair throw fake hand grenades at pictures of bleeding US soldiers, testing their accuracy by trying to hit the black holes that represent decapitated heads.



7.76 Street art is used in North Korea to remind the population of the geopolitical threats it faces. These examples of street art are in the small city of Sariwon.

North Korea argues that geopolitical tensions on the Korean peninsula would evaporate if the United States simply withdrew its troops. In the last document he signed before his death in early 1994, Kim Il Sung proposed a **program for peaceful Korean reunification** that North Korea still advocates, including the following points:

- North and South Korea will unite into one country, which will be a **federated nation-state** in which north and south both **retain** their current economic and political systems, with people being **free to move** and live wherever they wish under whichever system they prefer.
- North and South Korea **respect each other's different ideologies** and systems, each of which has different priorities, and neither side should try to change the system in the other part of the unified federated republic or force its system on the other.
- There will be **no foreign troops** stationed in the unified federated republic.

In 2000, talks between North Korea and South Korea resulted in an **agreement** to work together towards achieving **reunification**. Under the terms of the agreement:

- North Korea and South Korea agreed to solve the question of the country's reunification independently **without influence by foreign countries**.
- North Korea and South Korea presented similar proposals, called a low-level federation by the North and a commonwealth system by the South, and agreed to work together for reunification using **this model**.
- North Korea and South Korea agreed to resolve **humanitarian issues** as quickly as possible, including exchanging visiting groups of separated families and relatives.
- North Korea and South Korea agreed to promote **balanced development** of the entire economy of the peninsula through economic co-operation and by promoting social, cultural, sporting, public health, and environmental exchanges.

Following this agreement, North Korean and South Korean athletes marched as a **unified team** at the opening ceremonies of the Olympic Games in 2000, 2004 and 2006, even though they still competed as separate teams. **Co-operative business deals** were



**7.77** The Arch of Reunification was built in 2001 at the southern entrance to the city of Pyongyang, North Korea, spanning the Reunification Highway, which is the main road that would join Seoul to Pyongyang if the two Koreas reunited. The arch represents two Korean women in traditional dress, one from the North and one from the South, joining hands to hold a map of unified Korea and the emblem of the Three Point Charter for National Reunification, Kim Il Sung's proposal for national unity.



**7.78** Mosaics proclaim "Korea is One" on the North Korean side of the DMZ at Panmunjom.

established, including construction of a **free trade zone** near Kaesong (North Korea) where South Korean companies began producing goods using North Korean labour. Plans were made for a **trans-Korean railway line** that would enable South Korean companies to transport their goods to Europe by train through North Korea, connecting to the Trans-Siberian Railway in Russia, thus saving costs and time compared with ocean shipping.

Despite these hopeful signs, **progress slowed**, with some commentators suggesting that US government representatives were placing pressure on South Korea because of their concerns that **American interests** seemed to be becoming less



**7.79** North Korea has an official policy of *Songun*, which means 'Army First'. Signs such as this one in Pyongyang remind the population of the need to support the armed forces.



**7.80** When tensions rise between North Korea and South Korea, vehicles routinely drive around with an additional covering of camouflage as protection against a possible air attack by the United States.

influential in South Korea as talks of Korean reunification grew. The United States was also concerned that North Korea was **testing missile delivery systems** that might enable a nuclear warhead to reach the continental United States.

For its part, the South Korean Government cooled to the idea of reunification when it realised the **high economic cost** that this would involve. In 2018, Gross National Income (GNI) per capita in South Korea was US\$30,600, compared with just US\$1,700 in North Korea. Whereas South Korea's manufacturing industries are among the most advanced in the world, North Korea's factories use old, heavily polluting, labour-intensive technology, and they are often poorly maintained with high rates of breakdowns. The gap between the North Korean and South Korean economies today is far wider than the gap between East and West

Germany when they reunified in 1989, and this gap alarms South Korean planners.

While **China** supports the idea of peaceful reunification in Korea, the **United States** remained hostile towards North Korea until 2018 when a sudden thawing of hostility occurred. In that year, summit meetings were held in Singapore and Hanoi between US President Donald Trump and North Korea's leader, Kim Jong Un.

For many years, the United States and South Korea conducted **joint military exercises**, which North Korea saw as a rehearsal for an invasion. As a response to these exercises, North Korea continued to conduct testing of **nuclear missiles** which it still sees as the only way it can protect itself as a tiny nation from the threats posed by a hostile nuclear superpower. In a hopeful sign of reduced tensions, the exercises have been cancelled since 2018.

Rising geopolitical tensions on the Korean peninsula cause many commentators to worry that a **major conflict** may break out, possibly involving **nuclear weapons**. The South Korean capital, Seoul, is located less than one hour's drive south of the border with North Korea, which is one reason that the Pentagon estimated as long ago as 1993 that "*if war breaks out in Korea, there will be a million casualties – within the first 24 hours*".

### QUESTION BANK 7H

1. To what extent are geopolitical tensions on the Korean peninsula today the consequence of (a) the division of Korea between the USA and USSR at the end of World War II, (b) the 1953 signing of an armistice rather than a peace treaty, (c) the different political systems in North Korea and South Korea, (d) the continuing presence of US forces in South Korea, (e) the adulation of North Korea's leadership by its population, (f) the annual military exercises conducted by the United States with South Korea, (g) North Korea's insistence on developing long-range missiles with nuclear capability, and (h) China's reluctance to force economic and political reform in North Korea?
2. Describe the ways in which geopolitical tensions and conflict are expressed on the Korean peninsula today.
3. Outline the position of each of the following countries towards the geopolitical tensions on the Korean peninsula: China, Japan, the United States, South Korea and North Korea.
4. How realistic is Korean reunification as a solution to geopolitical tensions? Explain fully.



**8.1** The problem of stopping transboundary pollution is illustrated by this view, which shows the border zone between Bosnia-Herzegovina (left side of the photo) and Croatia (right side of the photo), near the coastline of the Adriatic Sea south of Dubrovnik. The national border runs approximately along the road towards along the lower section of the hill.

## Transboundary pollution

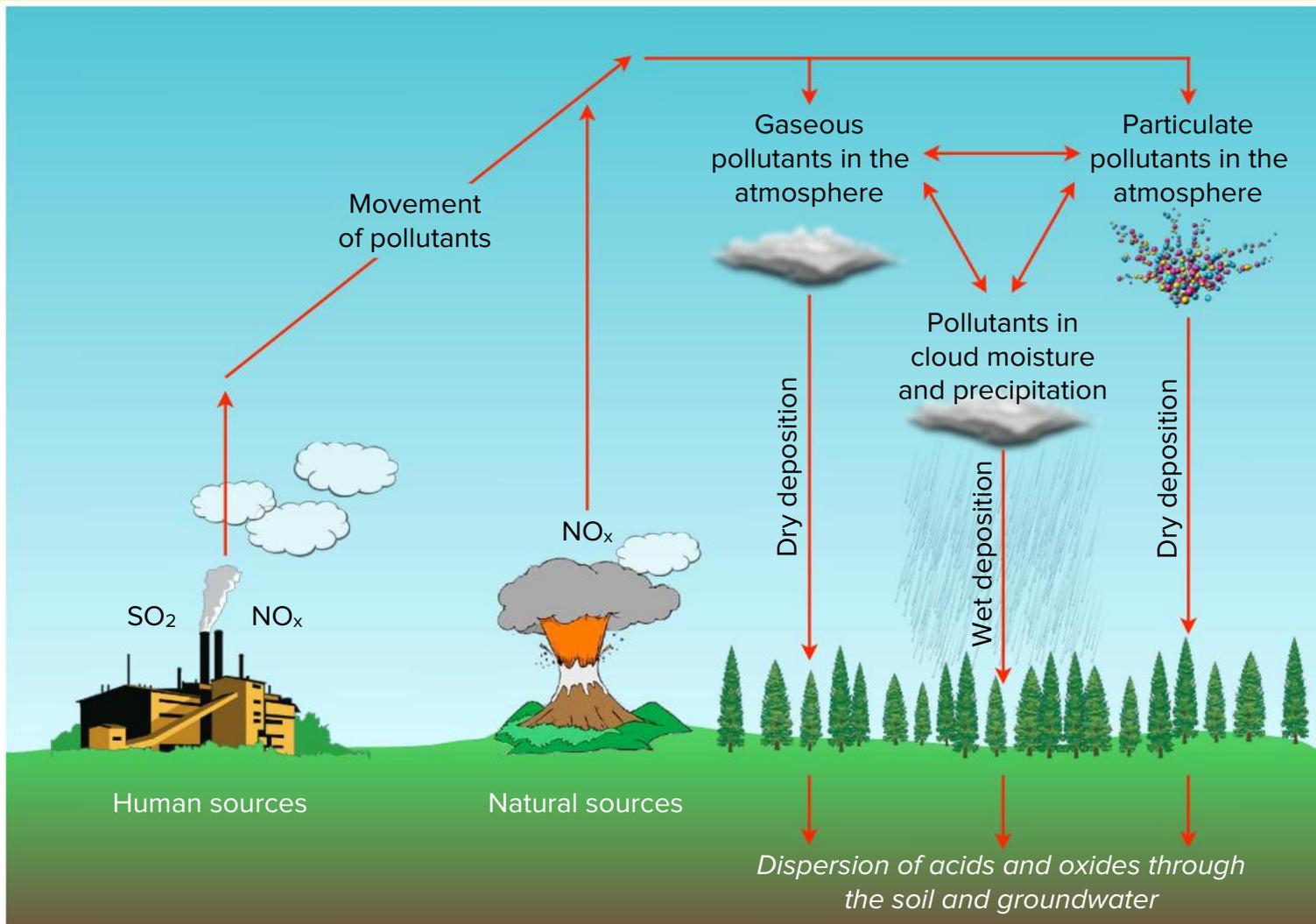
Transboundary pollution is **defined** by the OECD as ‘pollution that originates in one country but, by crossing the border through pathways of water or air, is able to cause damage to the environment in another country.’ Implicit in this definition is the concept that there are two main types of transboundary pollution — water pollution and air pollution.

### Acid rain

Acid rain is one example of **atmospheric transboundary pollution**. Acid rain forms when

**sulphur dioxide** caused by burning hydrocarbons mixes with the water in the atmosphere and produces rain that is a diluted form of **sulphuric acid** ( $\text{SO}_2 + \text{H}_2\text{O} \rightarrow \text{H}_2\text{SO}_4$ ). The sulphur dioxide originates from cars and factories burning hydrocarbon fuels.

Factories and cars also produce **nitrous oxides**, which are another source of acid rain.  $\text{NO}_x$  is the generic formula for all nitrous oxides, such as nitric oxide (NO) and nitrogen dioxide ( $\text{NO}_2$ ). Car engines produce nitric oxide (NO) when nitrogen ( $\text{N}_2$ ) and oxygen ( $\text{O}_2$ ) combine at high temperatures. When NO is released through a car’s



8.2 The formation of acid rain.

exhaust system, it quickly combines with atmospheric oxygen ( $\text{O}_2$ ) to form nitrogen dioxide ( $\text{NO}_2$ ). In warm climates,  $\text{NO}_2$  near the earth's surface can be split by ultraviolet radiation, forming ozone ( $\text{O}_3$ ), which causes breathing problems for people with asthma and other lung disorders. In the upper atmosphere, nitrogen dioxide combines with water to form **nitric acid** ( $\text{HNO}_3$ ) and **nitrous acid** ( $\text{HNO}_2$ ). Atmospheric nitric acid and nitrous acid also form from natural  $\text{NO}_x$  sources, such as the gases released during volcanic eruptions.

**Acidity** is measured on the pH (proportion of hydrogen) scale. The **pH scale** ranges from 0 to 14, where 0 is extremely acidic and 14 is extremely basic (non-acidic). A pH score of 7 indicates that a substance is neutral – neither acidic nor basic. The pH scale is a logarithmic progression, and each unit represents a ten-fold change in acidity. In other words, a substance with a pH of 5 is ten times more acidic than a substance with a pH of 6, and a pH of 4 indicates 100 times greater acidity than a pH of 6.

Lemon juice, which is highly acidic, typically has a pH between 2 and 3. Normal, clean, **pure rain** typically has a pH between 5.0 and 5.5, being slightly acidic because water in the atmosphere combines with carbon dioxide to form a weak carbonic acid ( $\text{H}_2\text{O} + \text{CO}_2 \rightarrow \text{H}_2\text{CO}_3$ ). **Acid rain** usually has a pH of about 4.0, but in areas close to a source of  $\text{SO}_2$  or  $\text{NO}_x$ , it can be as high as 2.2 to 2.7.

In some ways the commonly used term acid rain is a misnomer – it is more accurate to refer to it as **acid deposition** because it occurs in both **wet and dry forms**. In addition to rainfall, acid deposition can occur as snow, hail, fog and dust. **Wet acid deposition** occurs when pollutants are dissolved in atmospheric moisture and fall to the ground as acidic rainfall. **Dry acid deposition** occurs when acidic particles and gases in the air fall to the ground, harming plants, wildlife, buildings and people who inhale the acidic particles or gases. Larger acidic particles fall to the earth close to their source, whereas fine particles may remain aloft in

the atmosphere for long periods and travel extensive distances from their source area.

Because gases in the atmosphere are unaffected by national borders, acid rain thus becomes a **transboundary issue** in many parts of Europe where the territory of each nation-state is quite small compared with the global average. For example, acid rain produced in Britain, France and Spain may be blown by the prevailing winds over Switzerland, where the **orographic uplift** causes rain. Because of its **high acid content**, this rain may kill the trees on which it falls.

In Europe, the **prevailing wind direction** is from the west or south-west. Therefore, air pollution in the United Kingdom commonly affects the Nordic countries of Norway, Sweden, Denmark and Finland. Similarly, pollution produced in France and Spain blows eastwards to Italy, Switzerland and Germany, pollution produced in Germany often affects Poland, and pollution produced in Italy frequently affects Greece, Bosnia-Herzegovina and Croatia.

Figure 8.1 illustrates the reason why air pollution cannot be stopped at national boundaries. The photo shows the **Adriatic coastline** of Croatia south of Dubrovnik, looking towards the south. Pollution blows onto this coastline from Italy (off to the right of the photo). However, there is another national boundary running through the middle of this photograph, approximately along the road towards the bottom of the escarpment — the dark green plains are mainly in Croatia and the drier hillslopes are mainly in Bosnia-Herzegovina. Obviously, onshore winds carrying pollutants from Italy will affect Bosnia as well as Croatia, and not stop at the national border. Because of the prevailing winds, countries in **central Europe** tend to receive more acid rain than their 'fair share' in term of the air pollution produced in those countries.

**Forests** are especially vulnerable to the effects of acid rain. This is partly because the deciduous and coniferous trees that make up most forest areas in Europe tend to be **intolerant** of environmental conditions that lie outside their **ecological niche**, especially increasing soil acidity. It is also because Europe's remaining forests tend to be in high altitude mountain areas that experience **clouds** and **fog**, thus exposing the trees to even greater



**8.3** Trees on the side of Mount Kasprowy Eierch near Zakopane, Poland, have been killed by acid rain.

amounts of **acidic water vapour** and **water droplets** than mere rainfall. Needless to say, the impact of acid rain is greatest in areas that receive high rainfall.

Acid rain is not only a problem for forests. It also accelerates the rate of **weathering of rocks**. In Europe, many historic buildings and monuments are made from finely carved stone, and acid rain is therefore accelerating the **destruction** of these structures, some of which have survived many centuries before being challenged by the erosive power of acid rain.

Although some supranational institutions such as the United Nations and the European Union attempt to impose controls on the production of pollutants, there are few realistic options to **prevent their movement** across national borders once they have been released into the atmosphere or



**8.4** The Temple of Poseidon at Cape Sounion, Greece, has survived for almost 2,500 years, but is now threatened by acid rain weathering.



**8.5** These stone sculptures in Buda Castle in Budapest, Hungary, were carved in 1265. Acid rain in the past few decades has weathered the exposed statue (left) more than those which are more protected.

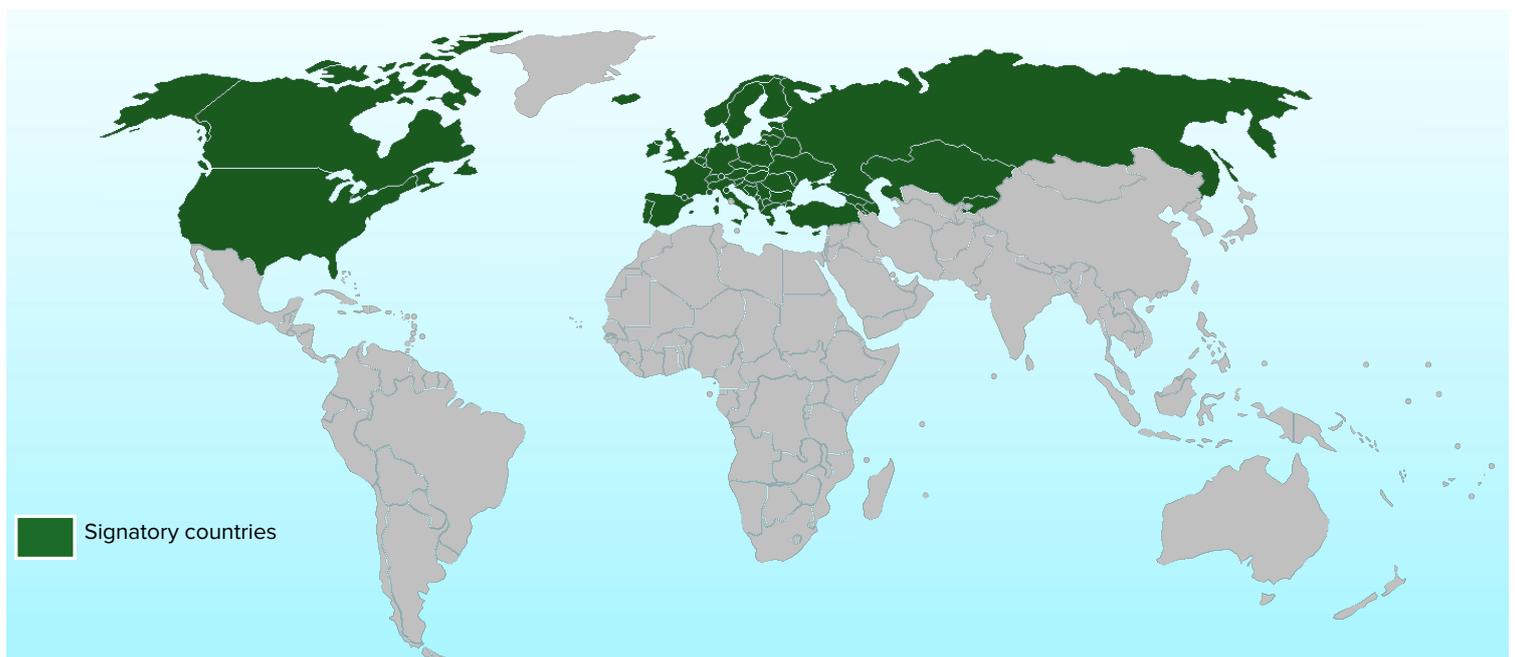


**8.7** Construction of the Colosseum in Rome, Italy, was completed in AD80, but its stability is now threatened by accelerated weathering and erosion caused by acid rain.

waterways. For that reason, transboundary pollution cannot be addressed using the same **regulatory strategies** as domestic pollution issues.

The most effective way of reducing acid rain is to **reduce the production** of the polluting gases that cause it to form. In order to achieve this, fossil fuels that contain less sulphur would need to be used. An even better solution would be to replace fossil fuels entirely by **alternative energy sources** that do not produce acid rain generating gases. These strategies could be achieved by **regulation** within individual countries. However, some governments have been **reluctant** at times to impose increased costs on their own industries when the benefits will mainly accrue to citizens in other countries.

As long ago as 1979, several governments in western Europe began to respond to the problem of acid rain by signing the **Convention on Long-Range Trans-boundary Air Pollution (CLRTAP)**. Since that time, the number of parties to the Convention has grown to 51 and the Convention itself has been expanded by eight protocols that identify specific measures to be taken by parties to cut their emissions of air pollutants. The Convention, which is now governed by UNECE (the United Nations Economic Commission for Europe), binds signatory countries to try and limit their production of air pollutants. It also requires signatory countries to gradually reduce and prevent air pollution, including long-range transboundary air pollution. Each country is



**8.6** The 51 countries that have signed the Convention on Long-Range Transboundary Air Pollution (CLRTAP).

expected to develop policies and strategies to reduce the production and discharge of air pollutants by exchanging information, research and monitoring.

### CASE STUDY Acid Rain in East Asia

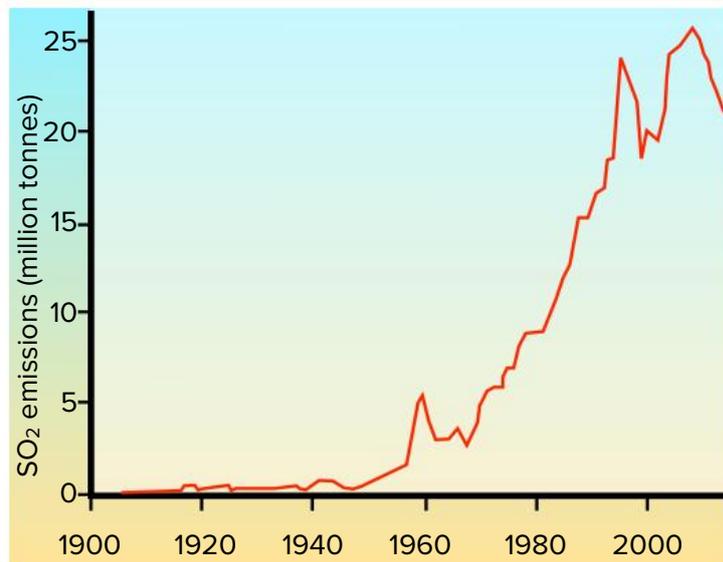
**East Asia** is defined as the combined territory of China (including Taiwan, Hong Kong and Macau), North Korea, South Korea, and Japan. **Acid rain** first emerged as an issue in East Asia in the late 1970s when economic reforms in China caused rapid industrialisation, often in factories with few or no pollution controls.

As figure 8.8 shows, **sulphur dioxide emissions in China** rose sharply from 1970 to 2010, with a short drop in the late 1990s due to an economic slowdown. The increase in sulphur dioxide emissions arose from a variety of sources, including agriculture, manufacturing industries and transport, all of which grew exponentially during the 1980s and early 1990s. As figure 8.9 shows, **China** was by far the major producer of sulphur dioxide emissions in East Asia by 2005, surpassing even the major industrial countries of Japan and South Korea.

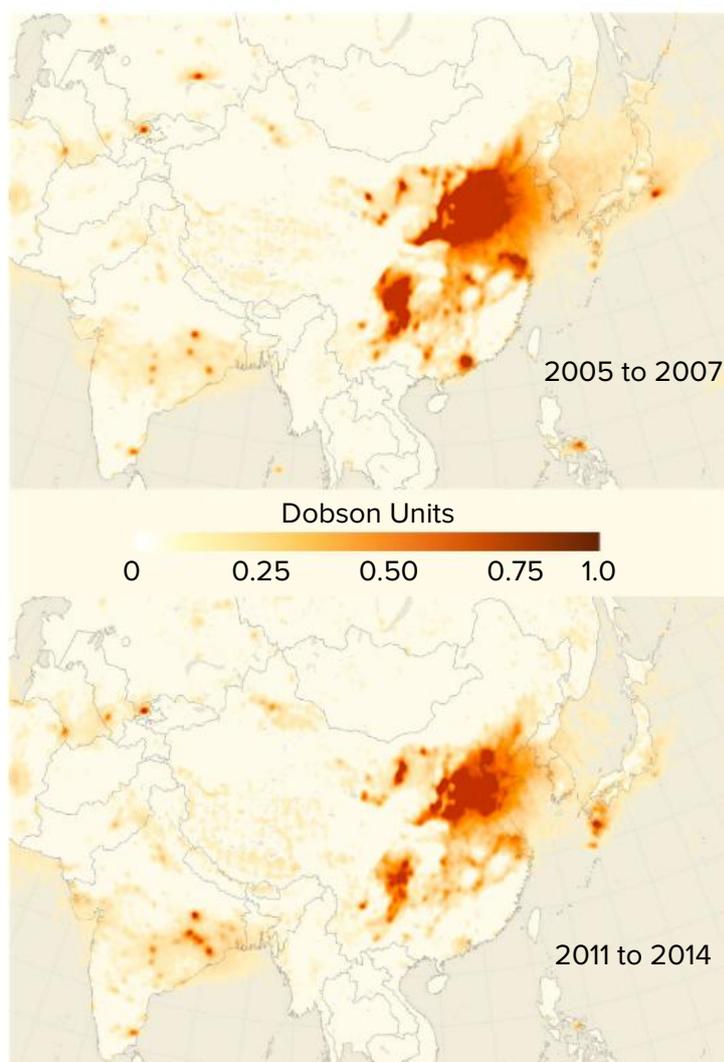
A major source of sulphur dioxide in China at the time was burning **coal** for energy production. In 2004, 69% of China's **energy** was produced by burning coal, and the growth in sulphur dioxide emissions in China at the time was 7.3% per annum (2000 to 2006). A secondary source was growing numbers of **motor vehicles** in China, which produced increasing quantities of nitrous oxides.

Since 2010, sulphur dioxide emissions in China have been declining (figures 8.8 and 8.9). The reason for the **decline** is the Chinese Government's campaign to reduce air pollution, a program that began in earnest in the period preceding the Beijing Olympics in 2008. The Chinese Government now sets ambitious emissions reduction targets as part of its 5-year plans, aiming to reduce sulphur dioxide emissions by:

- installing flue gas desulphurisation devices (also known as '**scrubbers**') on power plants
- using more expensive, **higher quality coal** that has a lower sulphur content



**8.8** Sulphur dioxide emissions in China, 1900 to 2016. Source: Updated from Larssen et al. (2006) 'Acid rain in China', *Environmental Science and Technology*, 40(2), pp418-425.



**8.9** Changes in sulphur dioxide emissions in East Asia, 2005-2007 to 2011-2014. Source: NASA.

- shutting down coal-fired power plants and replacing them with **less-polluting energy sources** such as natural gas, wind energy and solar power.

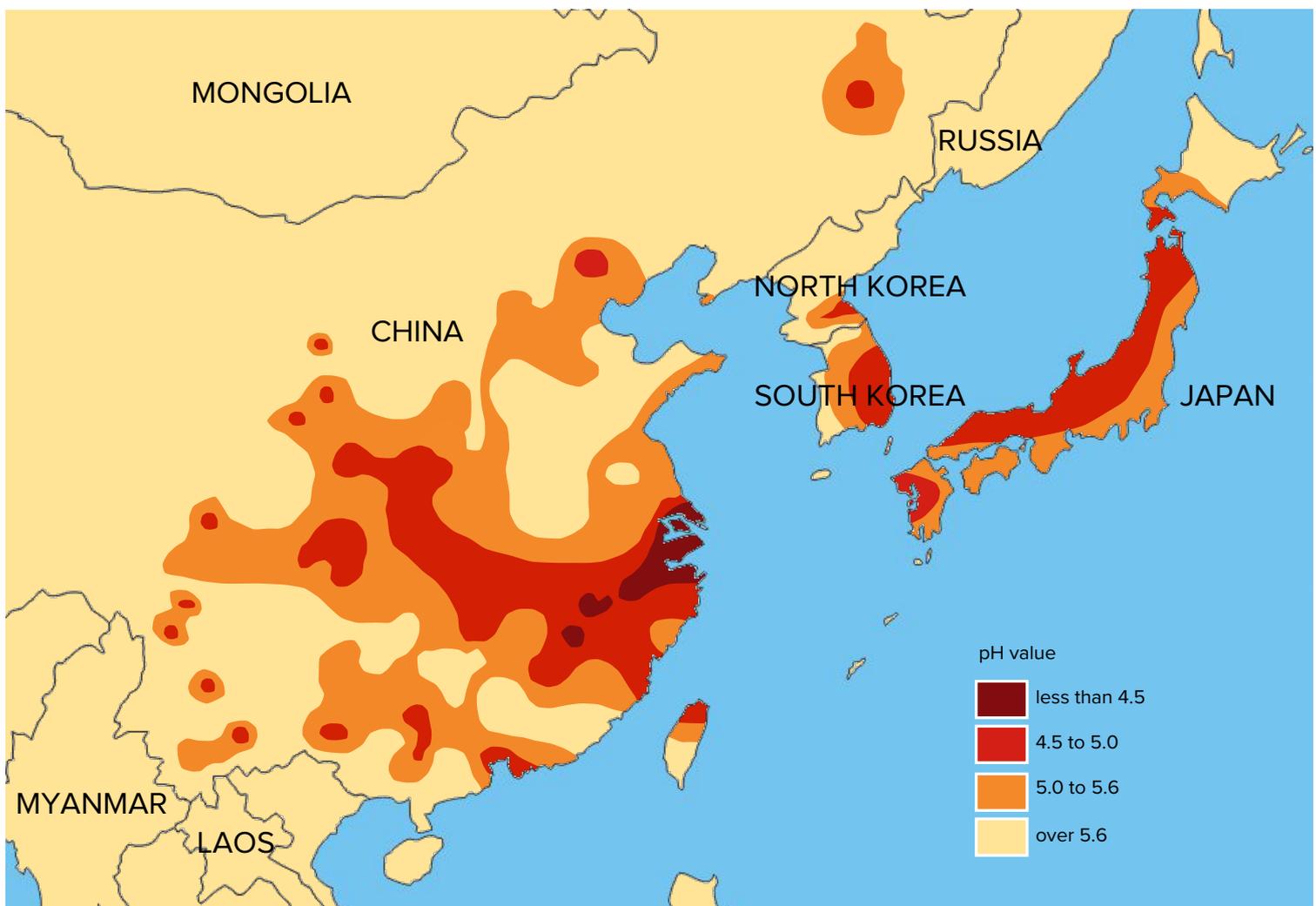
Although China's sulphur dioxide emissions remain the highest in the world, the Chinese Government's strategies, combined with slowing expansion of the Chinese economy, led to a **50% reduction** in SO<sub>2</sub> emissions between 2012 and 2014, and the trend continues.

As sulphur dioxide is a major source of acid rain, China's production of sulphur dioxide emissions has resulted in substantial quantities of **acid deposition** across eastern China where most of the factories and power stations are located. The areas most prone to acid rain in China are Chongqing, Sichuan and Guizhou provinces because these regions still have many factories that use old technology, and they are located in basins surrounded by mountains that trap wind. The prevailing winds across East Asia are from the west to the east, so **transboundary acid rain** spreads eastwards across the sea as far as Japan, supplementing acid rain sourced from industrial production in North and South Korea (figure 8.10).



**8.11** A coal-fired power station in Pyongyang, North Korea, produces copious quantities of SO<sub>2</sub> and NO<sub>x</sub> gases that will drift east towards Japan where acid rain is likely to fall as a result.

Acid deposition in East Asia affects most components of the **ecosystems** where it falls. The most vulnerable ecosystems are **aquatic** as marine organisms are susceptible to small changes in their environmental conditions. **Biomagnification** compounds the effects as the concentration of



**8.10** The average acidity of precipitation in East Asia, 2016.



**8.12** Traffic in Shenzhen, China, produces nitrous oxide emissions that will become acid rain in Hong Kong, Macau, Taiwan and Japan, a form of transboundary pollution.

pollutants increases through the food chain as larger organisms consume smaller ones.

Biomagnification especially affects humans because freshwater fish and marine organisms are major sources of food in East Asia.

**Forest ecosystems** are also susceptible to the impact of acid rain. Extreme concentrations of acid mist and rain in Sichuan and Chongqing have led to **forest dieback**. Studies of forests in Chongqing have shown that there is a 52% to 59% damage to **biological productivity** because of acid rain. In Japan, the **health** of pine and fir trees is deteriorating because of acid rain. Furthermore, biologists have found that acid rain has stimulated more active growth of **pine bugs** that damage the trees in Japanese forests. Acid rain also affects **soil chemistry**, increasing the acidity of the soil, which in turn stunts the growth of some plant species.

### QUESTION BANK 8A

1. What is meant by the term 'transboundary pollution'?
2. Explain how acid rain forms.
3. What is the difference between wet and dry acid deposition?
4. In what ways is acid rain a problem in Europe?
5. Outline the measures that are being taken to address the problem of acid rain in Europe.
6. Describe the purpose and extent of the Convention on Long-Range Trans-boundary Air Pollution.
7. With reference to figures 8.8 and 8.9, describe and account for the trend and pattern of China's sulphur dioxide emissions.

8. Describe the pattern of acid rain shown in figure 8.10, and explain why this distribution is evidence of transboundary pollution.

9. What are some effects of acid rain in East Asia?

## Environmental impacts of global flows

### Localised pollution

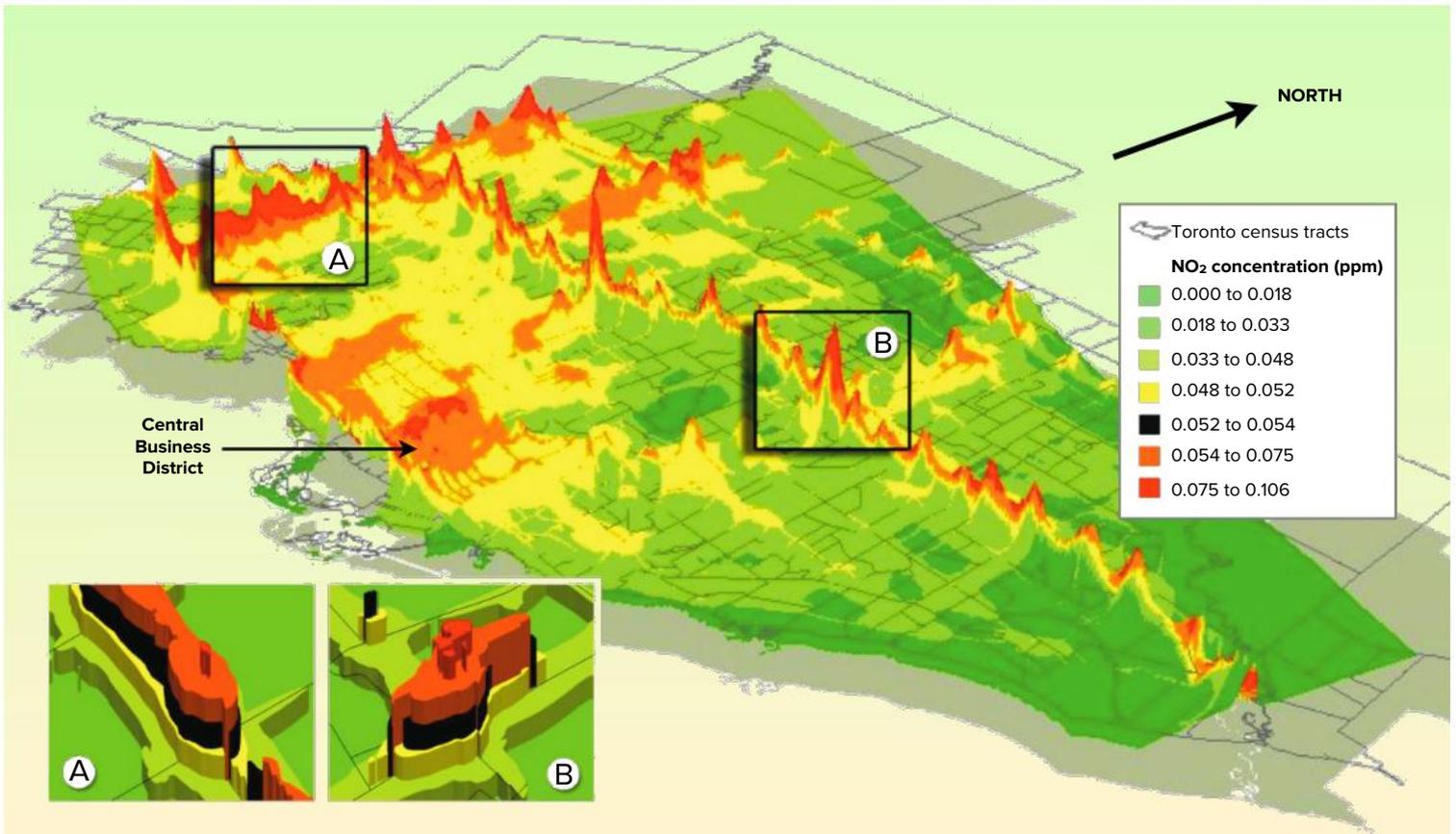
**Localised pollution** is air or water pollution that is **concentrated near its source**. Sources of localised pollution may be **points**, such as a factory or a mine, or **linear**, such as roads and shipping lanes. When pollution is localised, it does not disperse or spread great distances, so the concentration remains high near its source.

### Air pollution along roads

Any pedestrian who stands beside a busy road, highway or freeway and inhales will immediately suspect that levels of air pollution are higher near the roadway than in surrounding areas. **Exhaust emissions** from cars, trucks and buses add gases such as nitrous oxides, sulphur dioxide, ozone and particulates into the atmosphere. Particulates are microscopically small solid particles or liquid droplets that are made up mainly of carbon dust, but also dust from brake linings. The smallest particles, which measure 2.5 microns or less, are especially harmful because they can penetrate so deeply into people's lungs. Without strong winds, the concentration of these pollutants builds up along and beside roadways.



**8.13** Freeways generate high levels of roadside air pollution from car and truck exhaust emissions. This freeway is in Houston, Texas, USA.



**8.14** Nitrogen dioxide concentrations in Toronto, Canada, measured in parts per million. The current EPA standard for acceptable nitrogen dioxide levels is 0.053 parts per million. Area A is Ontario Highway 427 in Eatonville; the 427 is the second busiest freeway in Canada with an average traffic flow of 300,000 vehicles per day. Area B is the intersection of Ontario Highways 401 and 404. The 401 is Canada's busiest freeway, carrying 400,000 cars per day on a road that is 18 lanes wide in some places.

Source: Adapted from M Buzzelli and M Jerrett (2007) 'Geographies of susceptibility and exposure in the city: environmental inequity of traffic-related air pollution in Toronto', *Canadian Journal of Regional Science*, 30, pp.195-210, and *Canadian Environmental Health Atlas*.

Figure 8.14 shows the distribution of **nitrogen dioxide** in the air over the city of Toronto in Canada. Data was gathered using air quality monitors distributed across the city. The **highest concentrations** of nitrogen dioxide were found in the **central business district** and along the city's major **freeways**. Especially high concentrations

were found along the two busiest freeways, the 401 (which carries 400,000 cars per day) and the 427 (which carries 300,000 cars per day). The high concentrations along the road corridors show that the air pollution is **localised**, and exposes nearby residents to a range of health problems.



**8.15** Ontario Highway 427 in Eatonville, Toronto, Canada, looking towards the north-north-east. This is the section of freeway shown in inset A in figure 8.14 above.



**8.16** The junction of Ontario Highways 401 and 404 in Toronto, Canada, looking towards the west-south-west. This is the area shown in inset B of figure 8.14 above.



**8.17** Highway 401 in Toronto, Canada, seen here in the late afternoon rush hour when most traffic is leaving the inner city and heading for the suburbs. The 401 is the long freeway running east-to-west in figure 8.14, crossing the 404 (which runs north-to-south) in the area of inset B.



**8.18** Roadside air pollution is not only an issue in cities of economically developed countries that have large numbers of vehicles on well developed highways and freeways. Although the volume of vehicles is smaller in developing countries, many of them are old and in poor condition with heavily polluting engines. This example of a truck being used as a local bus is in Ouagadougou, capital city of Burkina Faso.



**8.19** Measuring roadside air pollution and noise levels in Ho Chi Minh City, Vietnam. Continual monitoring of air pollution is conducted along roads by automated sensors that send data to a central processing monitoring centre. This display rotates through different measures, including carbon monoxide, dust, nitrous oxides and acidity.

In highly urbanised societies such as those in North America, Europe, and parts of Asia and Oceania, between 30% and 45% of the urban population live beside or near what are commonly called 'busy roads'. Health studies have shown that people within 500 metres of 'busy roads' are more likely than the general population to suffer from **health problems** such as asthma, cardiovascular diseases, reduced reproductive fertility, and dementia, and it is generally agreed that these conditions result from the additional **air pollutants** in the area. Similar studies have also shown that pregnant women living in these areas are more likely to give birth prematurely, and that rates of leukemia and impaired lung development are increased in their children.

### Pollution along shipping routes

**Water and air pollution** are produced everywhere ships travel. While the catastrophic water pollution from **oil spills** is fairly well-known because it kills so many fish and birds, making headlines around the world, such occurrences are fortunately quite rare. More significant in the long-term is the relentless production of air and water pollution that occurs every time a ship makes a voyage.

Most ships are powered by diesel engines, and **leaks of oil and fuel** are inevitable. Oil and fuel that leaks from a ship's engine typically accumulates in the bilge, which is the bottom of the ship's hull. Although ships are required to filter any discharge from the bilge before it mixes with ocean water, minute amounts invariably pass through even the best filters, and this is sufficient to harm fish and other marine organisms.

Other contaminants that cause water pollution from ships are sewage, water used for cleaning, and solid wastes. Cruise liners alone dump about 115,000 litres of **sewage** into the world's oceans every day. Sewage wastes, which are also known as blackwater, contain bacteria, viruses, pathogens, bacteria and parasites, all of which can harm marine organisms in the vicinity. Furthermore, the high nutrient content of sewage can cause algal blooms and consume oxygen, which in turn kills fish and other aquatic life.

**Greywater**, or water that has been used for cleaning, is also dumped into the oceans from ships. Cruise liners dump about one million litres

of greywater every day, containing detergents, grease, hydrocarbons, food waste and nutrients into the ocean. This harms marine organisms, especially when combined with dumped **solid wastes** such as plastics, metal cans, glass, cardboard and old appliances that have stopped working. Although some movement of dumped materials occurs as ocean currents circulate, concentrations remain highest along the shipping lanes where most dumping occurs.

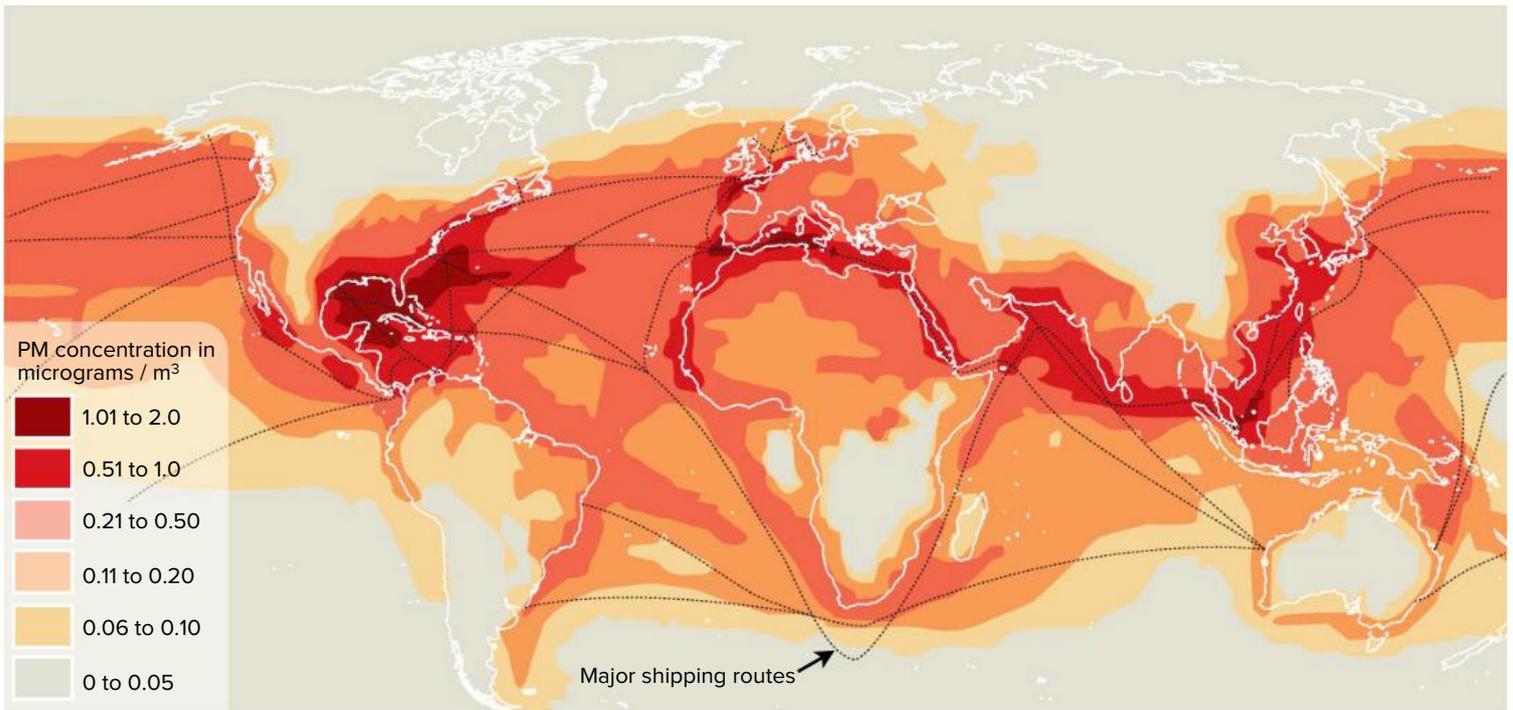
Significant though the water pollution from shipping is, it is the **air pollution** from shipping that causes the greatest concern because of its global significance. Figure 8.22 shows the world distribution of **particulate matter** air pollution. The major shipping routes have been added to the map to highlight the relationship between shipping and the production of particulate air pollution. Most of



**8.20** Solid and oil waste from ships has accumulated along the shoreline of the Port of Havana, Cuba.



**8.21** Another view of pollution from ships operating in the Port of Havana, Cuba, including parts thrown overboard, discarded solids, sewage and oil.

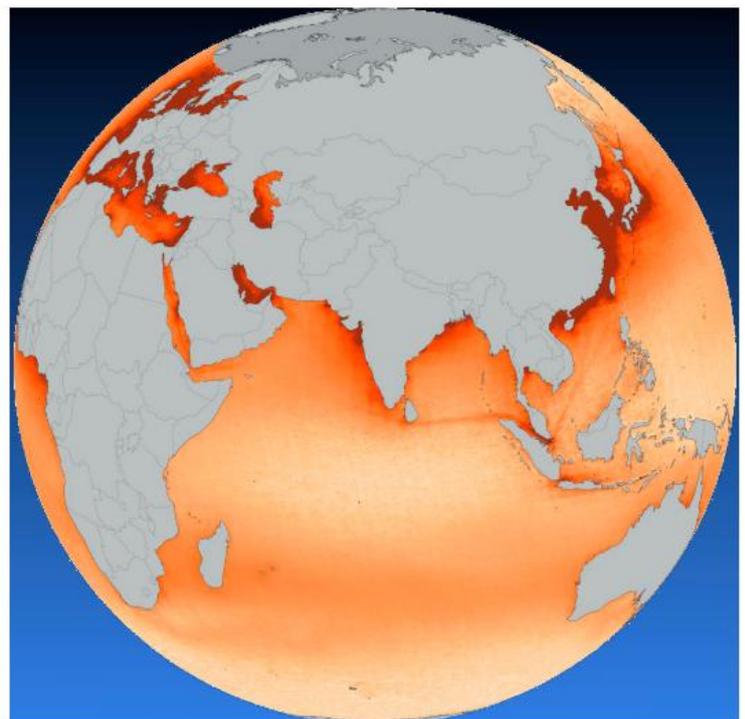


**8.22** The relationship between particulate matter (PM) pollution and the world's shipping routes. The highest concentrations of particulate air pollutants coincide with the world's busiest shipping routes, which are in the North Atlantic Ocean, the Mediterranean Sea, and along the coastlines of South, South-East and East Asia. High concentrations are also found around major ports such as London, Rotterdam, New York, Houston, Singapore, and Hong Kong. Source: American Chemical Society.

the particulate pollution comes from the **exhaust gases** of ships. As 90% of international trade is conducted using ships, with a current world-wide fleet of more than 100,000 transport ships at sea, of which 6,000 are large container vessels, the volume of air pollution from ships is understandably large.

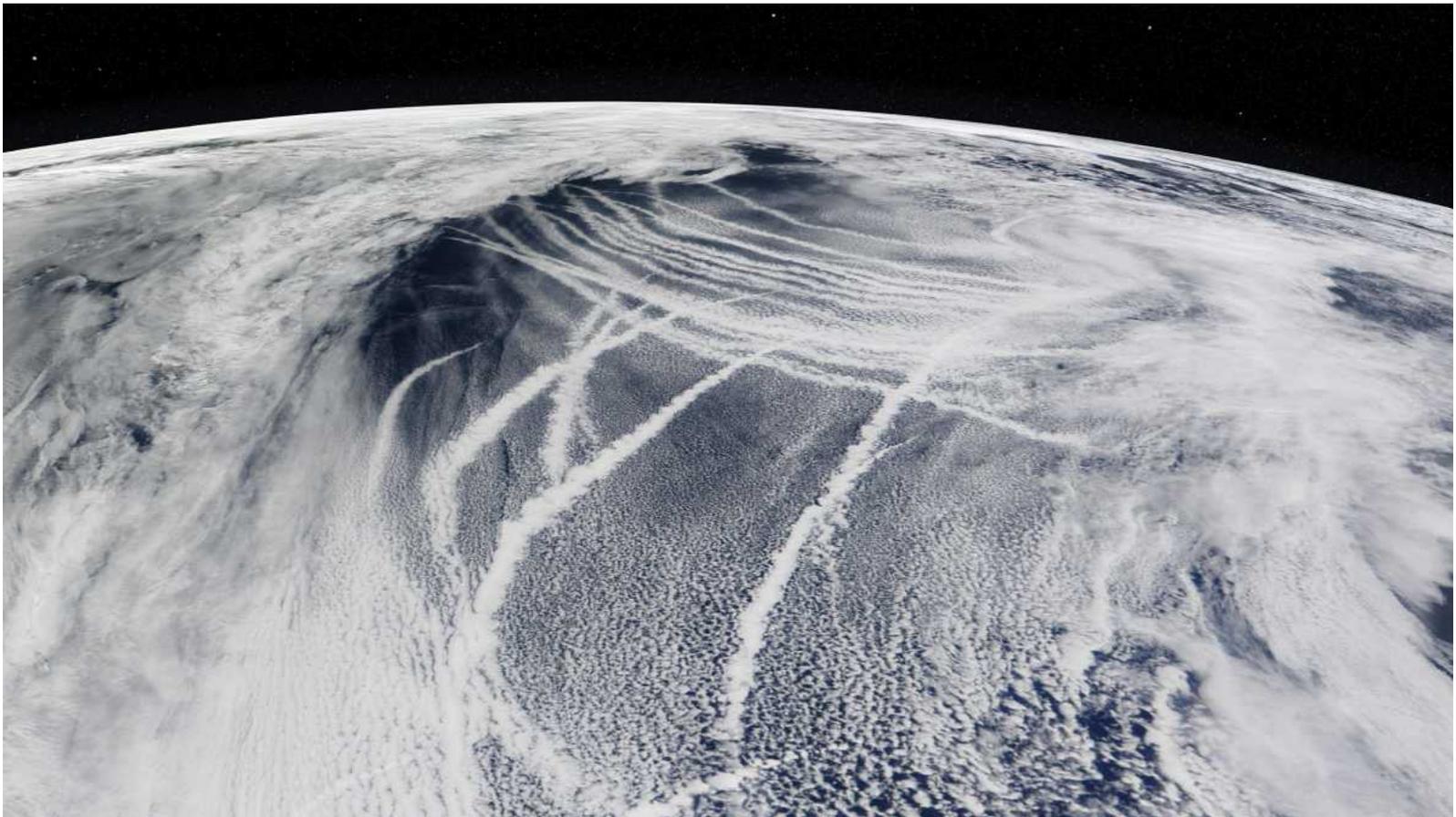
In addition to particulates, the diesel engines of ships produce **large volumes** of sulphur dioxide, nitrogen oxides, carbon monoxide, carbon dioxide and various hydrocarbons. It is estimated that shipping produces 13% of the world's sulphur dioxide, 25% of the world's nitrogen oxides and 3% of anthropogenic carbon dioxide. Ships produce about 50 times more sulphur dioxide than trucks per tonne of cargo carried, mainly because low-grade shipping diesel fuel contains 3,500 times more sulphur per litre than the diesel fuel used for road transport. It is estimated that between 35% and 50% of Hong Kong's air pollutants come from ships using the city's huge port. An academic study published in 2007 estimated that particulates emitted from ships cause 60,000 cardiopulmonary and lung-cancer deaths around the world each year.

In addition to the gas and particulate emissions, ships emit minute aerosol-sized **water droplets** that may have an impact on **global climates**. The small droplets are concentrated along major shipping



**8.23** A computer-generated image of the world, showing concentrations of nitrogen dioxide from 2005 to 2012. The darker the red or orange colour, the higher the concentration of nitrogen dioxide. Note the high concentrations of nitrogen dioxide along major shipping routes such as between Sri Lanka and Singapore, between Singapore and Japan, and in coastal waters of East Asia, the Straits of Malacca, the Persian Gulf, the Mediterranean Sea, the North Sea, the Baltic Sea, the Black Sea and the Caspian Sea.

Source: NASA.



**8.24** Visible shipping tracks interspersed with natural clouds in the northern Pacific Ocean on 4th March, 2009. The tracks are visible because of the water droplets that have formed around particulate pollutants emitted by the ships on each of the routes in the area. The water droplets form cloud-like streamers with a high albedo. Source: NASA.

routes, creating cloud-like tracks with a **high albedo** that reflect solar radiation in the same way that white clouds reflect light. The droplets form when water vapour condenses around particulate pollutants, and the large volume of these droplets results in **streamers of clouds** (figure 8.24).

### QUESTION BANK 8B

1. What is meant by the term 'localised pollution'?
2. Explain why localised pollution is evident around many major roads, highways and freeways.
3. With reference to figure 8.14, describe and account for the pattern of nitrogen dioxide that exceeds the EPA standard of 0.053ppm.
4. Describe the water pollution that results from shipping.
5. With reference to figure 8.22, describe the relationship between the world distribution of particulate pollution in the atmosphere and major shipping routes. Suggest a cause-and-effect explanation for this relationship.
6. With reference to figure 8.23, describe the relationship between the distribution of nitrogen dioxide shown and the major shipping routes shown in figure 8.22. Suggest a cause-and-effect explanation for this relationship.

7. Describe and account for the phenomenon shown in figure 8.24.

### Carbon footprints

A **carbon footprint** is the total amount of greenhouse gases produced to support human activities, usually expressed in equivalent tonnes of carbon dioxide (CO<sub>2</sub>). It is impossible to measure a total carbon footprint, because carbon is produced by natural processes in the environment as well as anthropogenically by humans. Therefore, a more useful approach to **defining** the carbon footprint would be that a carbon footprint is the sum of all anthropogenic carbon dioxide emissions produced by a particular human activity within a given time frame.

Transporting food, goods and people usually results in a carbon footprint, especially when **fossil fuels** are burnt to provide power for the transportation used. For every one litre of petrol (gasoline fuel) consumed, 2.3 kilograms of carbon dioxide are emitted, and for every litre of diesel fuel consumed, 2.7 kilograms of carbon dioxide are



**8.25** Transporting food (bananas) to the market near Allada, Benin.

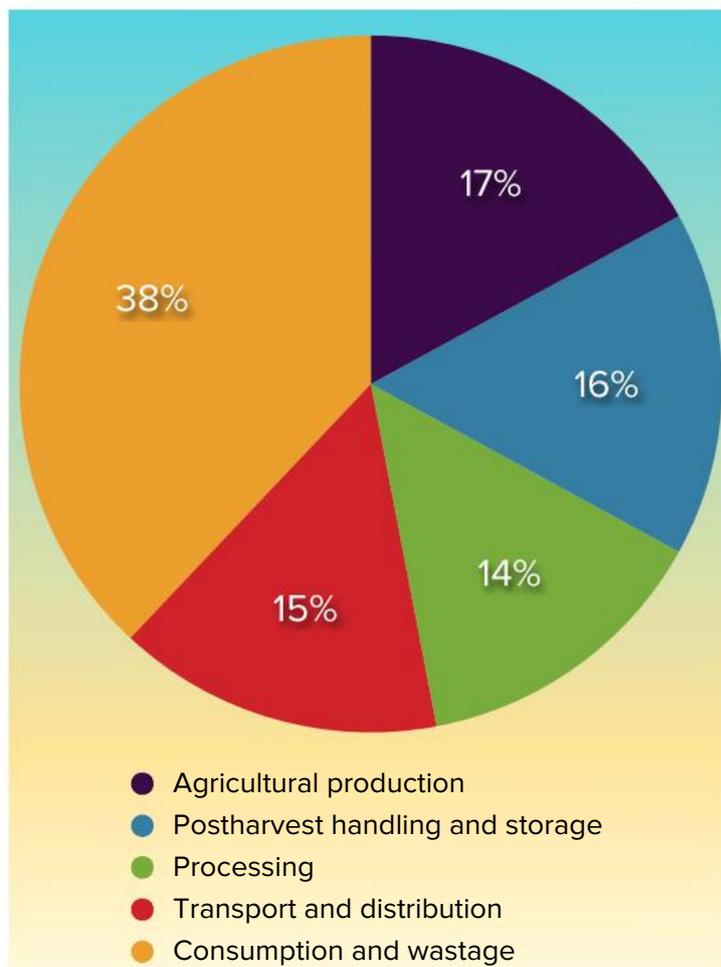
produced. These figures are constant irrespective of whether the fuel is consumed in a car, truck, SUV or a hybrid vehicle. Interestingly, operating a computer for 14 hours or making a cheeseburger produces the same quantity of carbon dioxide as a vehicle produces by consuming a litre of petrol.

To some extent, the term carbon footprint is a misnomer, because it is usually measured by the amount of carbon dioxide produced, not the amount of carbon. To be more accurate, what is commonly called the 'carbon footprint' should probably be called the **carbon dioxide footprint**. To convert this 'common' carbon footprint (the carbon dioxide footprint) into a 'real' carbon footprint, it is necessary to multiply by 0.27 because 100 kilograms of carbon dioxide contains 27 kilograms of carbon.

When transporting food, goods or people internationally, sea transport emits the lowest quantity of carbon dioxide per tonne per kilometre, whereas air freight emits the most. Although precise figures vary from vehicle to vehicle, **typical values** would be:

- **Air cargo**, using a Boeing 747 freighter – 500 grams of carbon dioxide per tonne of cargo per kilometre
- **Modern truck or lorry** – 120 grams of carbon dioxide per tonne of cargo per kilometre
- **Modern diesel train** – 30 grams of carbon dioxide per tonne of cargo per kilometre
- **Modern ship** – 15 grams of carbon dioxide per tonne of cargo per kilometre

Overall, the transport and distribution of **food** is a relatively **small component** of the total carbon footprint produced by the food industry. According to the FAO, 15% of the carbon footprint caused in the world's food supply chain arises from the **transport and distribution** of food, with the major component (38%) occurring at the stage of consumption (figure 8.26). The reason that consumption results in a high carbon footprint is the high amount of **food wastage** that occurs, and the large quantities of carbon dioxide that are released into atmosphere when waste food decays after being inappropriately discarded.



**8.26** The contribution of each stage to the total carbon footprint of the global food supply chain. Source: FAO.

In recent decades, the cost of **air travel** relative to other forms of transport has decreased. This has enabled air freight to become a financially competitive way to **transport fresh food** and produce over vast distances when compared with other forms of transport, especially when the costs of preserving food on ships over several weeks is considered. It has also paved the way for more and more **people** to travel by aircraft.



8.27 A dedicated freight aircraft at Sydney Airport, Australia.

Every modern airliner has an under-floor cargo area that enables large volumes of **freight** to be transported in the space not occupied by passengers' baggage (which is why many airlines are keen to limit the quantity of luggage passengers can take with them). Indeed, many airlines can fly profitably with an airliner carrying almost no passengers because of the high profitability of freight. In addition to the freight carried on commercial passenger services, there has been a rapid growth in **dedicated cargo aircraft** over the past few decades.

However, air transport has been heavily criticised by environmentalists because of its **emissions of carbon dioxide**, which is a significant greenhouse gas, and the impact of aircraft on the **global carbon footprint**. According to the Intergovernmental Panel on Climate Change (IPCC), fuel emissions from aircraft account for a little less than 3% of human contributions to climate change.

The **environmental impact** of air travel has become a contentious subject over the past decade. One environmental lobby group's website claims "It (aviation) is one of the principal contributors to global environmental problems such as climate change, ozone depletion, and the wasteful use of scarce raw materials". However, modern aircraft engines produce about 90% fewer emissions for every kilogram of fuel burned than engines built in the 1970s, and jet engines today burn less than half the fuel per kilometre travelled compared with equivalent engines 30 years ago. Compared with the jet engines of 50 years ago, today's engines use 80% less fuel per kilometre.

Because of concerns with the environmental impact of flying, there is an increasing trend for **carbon offsetting**. People are urged to 'offset' the environmental impact of their flights (as well as their car driving and even their home air conditioning) by sending money to purchase an equivalent carbon saving. The money goes to one of many organisations that promises to neutralise an individual's carbon emissions, some by planting trees which they claim will absorb an equivalent amount of CO<sub>2</sub>, others by providing cleaner energy to poor countries. Unfortunately, publicity about scam organisations that have stolen people's carbon offsetting money has meant that such schemes have lost credibility in the eyes of some people who now doubt whether the forest or the wind turbine actually exist, and question the regulations that govern the operation of such funds.

Several **carbon offsetting websites** calculate the amount of CO<sub>2</sub> a person will be responsible for through flying. Using the example of a one-way flight between **Hong Kong** and **Singapore**, a distance of 2,555 kilometres, one widely used website (Atmosfair — <http://www.atmosfair.de>) claims that the weight of CO<sub>2</sub> gas generated would be 40,350 kg (in an Airbus A350, economy class, carrying 253 passengers). At first this figure seems excessive for a gas, as the empty weight of an Airbus A350 is about 192,000 kg, and the maximum take-off weight of the plane, fully loaded with all passengers, fuel and cargo is about 280,000 kg.

How could 40,350 kg – which is more than 40 tonnes - of gas (even a 'heavy' gas like carbon dioxide) be generated by a fully loaded aluminium and carbon composite aircraft that weighed only about five times the weight of the gas apparently produced? Part of the answer lies in the **chemical reaction** between the burnt aviation fuel and the atmosphere. One litre of aviation fuel weighs about 0.75 kg, and it is claimed that when burnt it produces 2.4 kg of carbon dioxide. This is explained by the fact that most of the weight of the CO<sub>2</sub> does not come from the fuel (which is a hydrocarbon), but the oxygen in the air. When fuel burns, the carbon and hydrogen separate. The hydrogen combines with oxygen to form water (H<sub>2</sub>O), and carbon combines with oxygen to form carbon dioxide (CO<sub>2</sub>). A carbon atom has a weight of 12, and each oxygen atom has a weight of 16,

giving each single molecule of CO<sub>2</sub> an atomic weight of 44 (12 from the carbon and 32 from the oxygen). Therefore, to calculate the amount of CO<sub>2</sub> produced from a litre of aviation fuel, the weight of the carbon in the fuel is multiplied by 44/12, or 3.7. Since aviation fuel is about 87% carbon and 13% hydrogen by weight, the carbon in a litre of fuel weighs 0.65 kg (0.75 kg × 0.87). The weight of the carbon (0.65 kg) can then be multiplied by 3.7, which equals 2.4 kg of CO<sub>2</sub>.

A fully laden Airbus A350 from Hong Kong to Singapore will carry about 13,630 litres of fuel, which weighs about 10,905 kilograms. If the chemistry of the preceding paragraph is accepted, this explains why 40,350 kg of CO<sub>2</sub> should be produced (or about 159 kg per person).

The figure of 159 kg per person represents about 0.06 kg (or **60 grams**) of CO<sub>2</sub> per person per kilometre. This compares with a figure of 165 grams per kilometre for a typical modern small petrol-powered car (such as a Ford Fiesta Econetic or a Seat Ibiza Ecomotive), 210 grams per kilometre for a typical modern medium car (such as a Mazda 6), or 300 grams per kilometre for an SUV (such as a Toyota Land Cruiser or a Dodge Nitro). Each of these figures applies to a vehicle carrying only the driver, and they would need to be divided by the number of passengers in the car to obtain the figure for the CO<sub>2</sub> per person per kilometre. For example, a medium-sized car with a driver and two passengers would produce 70 grams (210÷3) of carbon dioxide per person per kilometre.

The **effect of carbon dioxide** in the atmosphere is to reduce the escape of long-wave infrared radiation (heat) from the earth into space. Therefore, when the **concentration** of carbon dioxide rises in the atmosphere, the **energy input** to the earth is effectively increased.

However, the effect of surface level CO<sub>2</sub> is somewhat different to CO<sub>2</sub> that is in the **upper atmosphere** (where it is deposited by aircraft). Carbon dioxide is a gas with a **high albedo**, which means it is shiny and thus has a high rate of reflectivity. It is this high level of reflectivity that enables CO<sub>2</sub> to **trap heat**, because the radiation is reflected and re-reflected within the body of gas. In this way, CO<sub>2</sub> near the earth's surface traps surface heat and acts as an obstacle to delay its release back



**8.28** An Airbus A350 airliner, the type used in the carbon dioxide emission example in the text.

into space. On the other hand, CO<sub>2</sub> in the **upper atmosphere** acts as an agent of **global shading**. In a similar way that volcanic eruptions cause cooling as the clouds of ash they emit reflect incoming solar radiation back into space, the high albedo of CO<sub>2</sub> in the upper atmosphere also reflects incoming solar radiation.

In 1991, the ash cloud emitted by the eruption of Mount Pinatubo in the Philippines caused **global temperatures** to drop in the northern hemisphere by an average of 0.5°C to 0.6°C during 1992 and 1993, and globally by 0.4°C to 0.5°C during the same period. Although the physical properties of a volcanic dust cloud and carbon dioxide vary, they both have a high albedo and reflect incoming solar radiation from the upper atmosphere back into space, leading to cooler temperatures. Because of this, carbon dioxide emissions from aircraft are accused of **masking the effects of global warming**. If a trend towards global cooling recommences (as some scientists claim has been the case since 2002), then aviation can expect to receive part of the blame for this phenomenon.

Because of **public pressure** and **environmental criticism**, aircraft manufacturers and airlines are experimenting with **alternative fuels** that will reduce carbon emissions from flights. Some **biofuel** alternatives, such as jatropha, corn and algae, are said to have greater energy content than existing petrochemical aviation fuels, and they are said to generate **less carbon dioxide**. Of these alternative fuels, the most promising is perhaps algae-based biofuels as they can be grown in laboratories with minimal sunlight, the algae can be

grown in nearly every environment, and they do not compete with any human food crops for farming land. Furthermore, biofuels do not add any **carbon** to the biosphere that was not already there, whereas traditional petrochemical-based aviation fuels extract carbon from the earth, burn it in aircraft and add carbon dioxide into the atmosphere.



**8.29** Several airlines, including Lufthansa, Air New Zealand and United Airlines (shown here) are experimenting with mixtures of algae-based biofuels and traditional petroleum-derived jet fuels to evaluate the viability of more environmentally-friendly sources to power airliners.

### QUESTION BANK 8C

- Several definitions are provided for the term 'carbon footprint' in this section. Propose your ideal definition of 'carbon footprint', and say why you prefer it to other definitions that have been offered.
- Compare the carbon footprint of different types of transport when carrying one tonne of cargo for one kilometre.
- With reference to figure 8.26, rank the stages of the global food chain in descending order of their contribution to the world's carbon footprint.
- Why has the volume of air freight increased in recent years?
- Compare the amounts of carbon dioxide produced by airliners and by cars.
- What is your impression of the effectiveness of carbon offsetting?
- Aviation has been accused of masking the impact of global warming. Are such accusations justified?
- To what extent is the aviation industry responding to criticisms of its carbon footprint?

## Environmental issues linked with the global shift of industry

### Polluting manufacturing industries

Environmentalists accuse transnational corporations (TNCs) of **relocating polluting industries** and waste disposal from developed countries to developing countries where there are **weaker environmental controls** and safety regulations.

Developing countries have **strong incentives** to try and **attract manufacturing** industries as a way to **stimulate economic development**. Manufacturing industries are seen in poorer countries as the key to transforming a rural-based agricultural economy into an urban-based industrial economy. As a result, foreign investment is welcomed by offering TNCs cheap land and facilities, attractive tax arrangements, and perhaps government-sourced **infrastructure** such as roads and railway links. For industries that generate large amounts of environmental pollution, slack regulations may also be seen by TNCs to be an attractive reason to relocate in a developing country.

There is some **debate among geographers** as to whether there is a **conscious strategy** on the part of transnational corporations on one hand, and developing countries' governments on the other, to relocate polluting industries into what are termed '**pollution havens**'. The hypothesis that TNCs deliberately export polluting industries was first studied in the 1970s by the US Environmental Consultant, Barry Castleman, who compiled a long list of US factories that had been relocated to Mexico to produce asbestos, benzidine dyes, pesticides, arsenic and zinc.

However, several later studies found (in the words of one study by H Jeffrey Leonard, President of the Global Environment Fund) that "*the costs and logistics of complying with environmental regulations are not a decisive factor in most industrial decisions about desirable plant locations or in the international competitive picture of most major industries*". These studies concluded that while environmental factors may be included in a relocation feasibility study, they were never strong enough to outweigh all the

**traditional forces that determine investment in manufacturing and location decisions, which are:**

### Raw materials:

- Are raw materials bulky, awkward and costly to transport?
- Will these raw materials deteriorate quickly?
- Are the quantities sufficient for long-run production?
- If the raw materials at the original location are exhausted, should a move be made to a new site, should raw materials be transported to the original site, or should the factory be re-sited with regard to another factor such as transport or market?
- What is the relative importance of the different raw material inputs?

### Energy

- Are large supplies of power needed in production?
- Which source of power is most suitable?
- What cost advantages exist between coal, gas, hydro-electric, wind, tidal, solar and nuclear energy?
- What pollution controls are needed?

### Labour

- Are large amounts of labour required?
- In which proportions should it be: skilled, semi-skilled or unskilled?
- Would it be valuable to be near research institutions?
- In which towns are there relatively untapped supplies of labour?
- Which other firms will be competing for similar labour?
- How stable is the labour force?
- Is the environment attractive for the workforce?
- How common are industrial disputes?

### Market

- What proportion of production can be sold locally?
- How affluent is the local population?
- Are there large cities nearby?
- Where are competitors located?
- Where are the suppliers located?
- How bulky is the finished product?

### Transport and communications

- What types of transport are available?
- What types of transport are most suitable for the raw materials and the finished product?



**8.30** Some Western European companies have been accused of relocating polluting industries to Eastern Europe and Central Asia, where economic costs are lower and pollution regulations less stringent. This example is the Luxembourg-owned ArcelorMittal factory near Kyzyl, west of Karaganda, Kazakhstan.

- What linkages exist with a sea port, other markets and raw materials locations?
- Are there any problems of congestion?
- Are communication services such as telephone and the internet adequate?
- Do freight concessions exist?

### Political considerations

- Is the area politically stable?
- Does the government encourage or discourage new firms?
- Is the area being redeveloped?
- To what extent is local planning legislation an advantage or a hindrance?
- Are there tax incentives?
- Is there a threat of terrorism?
- What are the personal preferences of management?

### Climate

- Are there problems of frequent flooding or drought?
- Does the industry require certain temperatures?
- Is expensive climate-modifying equipment necessary?

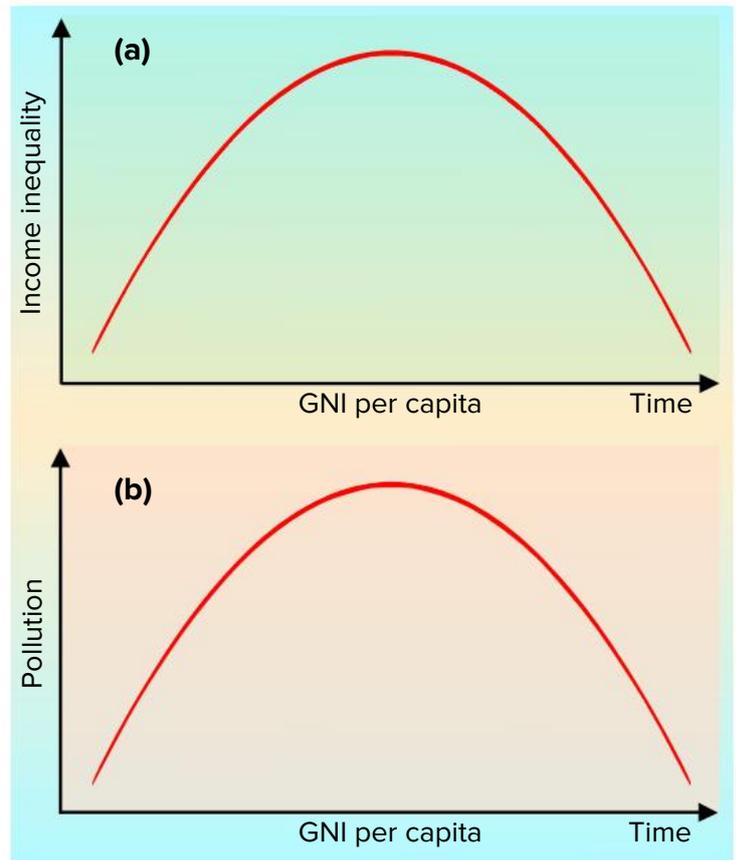
Recent studies have presented more **mixed conclusions**. Some studies have confirmed that environmental factors are not sufficient to outweigh all the other factors of location (and relocation) because any potential gains in pollution havens would only last for a short time. This conclusion is based on the belief that environmental protests are no longer confined to developed countries, but

have spread to developing countries through the efforts of environmental NGOs and civil societies.

On the other hand, a theoretical study by the economists Baumol and Oates suggested that as free trade expands in a globalised environment, competition between countries to attract foreign investment should lead to the creation of ‘**pollution havens**’. Several empirical studies (i.e. based on evidence) have, however, failed to find examples of such pollution havens. One study of Brazil’s chemical industry, for example, concluded that the expansion of free trade through globalisation would actually remove any advantages offered by so-called pollution havens as financial factors grew in importance. Indeed, the same study showed that export-oriented chemical firms in Brazil chose to adopt global environmental standards because of fear of litigation, negative public relations and concern about the loss of export markets, and this occurred even in remote areas that were seldom visited or inspected by Brazil’s increasingly powerful environmental movement.

This has led some geographers and economists to hypothesise that there is an **Environmental Kuznets curve** – which is the opposite of the ‘pollution haven’ hypothesis. The traditional Kuznets curve suggests that incomes become less equal for a period of time when a country begins a period of rapid economic development, but the gap in inequality decreases after a certain average income level has been reached (figure 8.31, top). The Environmental Kuznets curve suggests that in a similar way, a country’s level of pollution will become worse during the early phase of rapid economic development, but will improve as development proceeds (figure 8.31, lower).

The ‘**pollution haven**’ hypothesis suggests that the movement of investment and manufacturing plants from developed to developing countries is harmful to the environment. The **Environmental Kuznets curve**, on the other hand, suggests that while the movement of investment and manufacturing plants from developed to developing countries may be initially harmful to the environment, in the longer term the results will be beneficial. Although the Environmental Kuznets curve is supported by a large number of empirical studies, it has not found favour with environmental groups, perhaps in part because it has been advocated by the World Bank,



8.31 (a) The Kuznets Curve.  
(b) The Environmental Kuznets Curve.

which is viewed disapprovingly by many environmental groups. As a study by Lyuba Zarsky (Associate Professor in the International Environmental Policy Program of the Monterey Institute of International Studies, USA) concluded: “While ‘pollution havens’ cannot be proven, a pattern of agglomeration of pollution is discernible, one based not on differences in national environmental standards, but on differences in income and/or education of local communities. They may not be ‘havens’, but there are clearly ‘pollution zones’ of poorer people, both within and across countries, where firms perform worse and where regulation is less effective”.

### QUESTION BANK 8D

1. Why might the government of a developing country want to attract a highly polluting factory to relocate within its territory from a developed country?
2. Think of a factory with which you are familiar. Rank the importance of the factors of location (or relocation) as they apply to the establishment of that factory.
3. Describe the message conveyed by the Environmental Kuznets curve.
4. Which hypothesis do you find more convincing, the ‘pollution havens’ hypothesis or the Environmental Kuznets curve? Give reasons to support your answer.

## Food production systems for global agribusiness

Over the past half-century or so, the **nature of food production** has changed dramatically. Until the 1960s, almost everywhere in the world relied on food that was **produced locally**, and people's diets varied from season to season according the food was currently available.



**8.32** As agriculture has become a global agribusiness, supermarkets such as this one in Moscow, Russia, have been able to stock produce from all parts of the world. However, the environmental costs of shifting agricultural production and transporting food over long distances can be considerable.

Since that time, the marketing of food has become a truly **global enterprise**. New developments in **refrigeration** and **transport** technologies, including greater use of dedicated cargo aircraft, mean that food is now shipped across the world. Tropical fruits are now available even in cold climates on a year-round basis.

Agriculture is changing at least as quickly as other sectors in the global economy. Whereas the traditional picture of farming was once a family-owned and operated farm producing food for largely local markets, farming in developed countries (and increasingly in some developing countries) is becoming a very complex business activity run by **large corporations** with **global marketing links**. Increasingly, successful farms are seen as being **large, mechanised, corporate-owned enterprises** that have **international networks** for obtaining cheap inputs and selling the outputs. Sometimes the outputs are transported on trucks or in ships operated by subsidiaries of the same company, often after initial processing in a factory that is also operated by the same company.

The term **agro-industrialisation** is used to define the development of agriculture by incorporating corporate and industrial techniques. In a landmark analysis of agro-industrialisation in 2000 by US agricultural economists Thomas Reardon and Christopher Barrett, this definition was expanded and made somewhat more complex to mean:

- the **growth** of agro-processing, distribution, and farm input provisions off-farm;
- institutional and **organisational change** in the relation between farms on the one hand and food processing and distribution companies on the other (such as a marked increase in vertical integration); and
- simultaneous and consequent **changes on farms**, such as changes in product composition, technology, and market structures.

It is important to remember that agro-industrialisation is not a uniform trend around the world. In many places, agro-industrialisation is **widening the gap** between rich and poor farmers, especially in places where significant subsistence agriculture is still found.

One of the consequences of the growth of agro-industrialisation is that the techniques adopted often cause significant **damage to the natural environment**. For example, many large-scale agro-industrialised farms plant hundreds of hectares with one single crop, a technique known as monoculture. **Monoculture** is an environmentally unsustainable technique because any single crop draws the same narrow band of nutrients from the



**8.33** These fields on Migok Co-operative Farm, west of Sariwon, North Korea, use the technique of monoculture. However, potatoes grown on the raised banks (bunds) that divide the fields add some biodiversity.



**8.34** Extensive, irrigated energy-intensive agro-industrial farms near Denver, Colorado, USA.

soil without the compensation of replenishment by other plant species. Where multiple crops are grown (**interculture**), the nutrients required by one crop species tend to be replaced by one of the other crop species, thus replicating a natural ecosystem and restoring a balanced set of nutrients to the soil.

For this reason, a monoculture can only be sustained by **adding fertilisers** to replace the continual removal of the same nutrients. Many **chemical fertilisers** are derived from by-products of oil, and they can cause **side effects**, such as changing the texture of the soil (often reducing the capacity of the soil to absorb moisture) and adding certain extra minerals that are not required by the particular crop. When this happens, the concentration of those minerals may accumulate over time to levels that can become toxic.

During the second half of the 20th century, large agro-industrial farms were regarded as being more efficient than small-scale farms. From a purely financial perspective, using traditional accounting methods, large capital intensive farms are often more **efficient** in developed countries where labour costs are high and capital costs are relatively low. Of course, in developing countries, where labour is relatively cheap but machines are expensive, the opposite is true.

Regardless of the financial efficiency, large-scale agro-industrial farms are very **inefficient from an environmental perspective**. The most common way to measure **energy efficiency** is to examine the **outputs** produced compared with the **inputs** required. When examining environmental efficiency, we can examine the inputs of energy in

relation to the energy contained in the foods that are being produced. As farming becomes more **mechanised**, energy inputs can become so great that more energy is used to produce the food than the energy obtained from the food produced.

In general, **traditional food production systems** are **more energy-efficient**, as more kilojoules of energy are contained in the food produced than the kilojoules of energy used to produce that food. For example, **shifting cultivation** has an energy ratio of 1:20, meaning that 1 kilojoule of muscular effort yields 20 kilojoules of food energy. With an energy ratio of 1:10, **hunting and gathering** is somewhat less energy efficient, partly because considerable energy is spent in the search and chasing activities. **Wet rice** or **intensive rice cultivation** has an energy ratio of 1:5, which is still energy efficient enough to support a farmer and dependents without outside energy input.



**8.35** Intensive rice cultivation is an energy-efficient form of food production as it typically produces five times more energy than the amount required to produce it. This irrigated rice paddy, which is near Ubud on the Indonesian island of Bali, has trees around the fields to provide shade and provide useful foods.

However, when we move along the spectrum to the types of activities normally associated with sophisticated **commercial agriculture**, we see that the energy spent to produce the food is greater than the energy the food actually contains. **Dairying** and coastal (continental shelf) **fishing** achieve an energy ratio of 1:1, which means there is an approximate balance between energy input and output. **Intensive poultry production** has an energy ratio of 2:1, which means it requires twice as much input of fuel energy than its output in food energy. At the extreme end of the spectrum are activities such as **feedlot beef production**, where



**8.36** Shifting cultivation, or swiddening as it is also known, is the world's most energy-efficient type of food production, producing about 20 times more energy than is required to grow the crops. This swidden, or 'burnt clearing', is being prepared for the planting of sweet potatoes in the Baliem Valley of West Papua, Indonesia.

the input of energy is about 10 times greater than the output. **Deep sea ocean fishing** also has an energy ratio of about 10:1, largely because it is carried out in waters that are distant from the point

of fish consumption. The energy subsidy required for ocean fishing illustrates the fact that harvesting the oceans is not a simple solution to the world's food supply problems.



**8.37** Fishing on continental shelves is energy neutral, in that it takes as much energy to produce the food as is obtained in the food produced. This coastal fishing boat is returning to port in Kochi, India.

One of the ironies of agro-industrial farming is that the energy used in producing grain is compounded by the conversion of grain into **animal protein**. With the shift in tastes in many countries from bread and cereals to beef, pork and chicken, most US grain production is now used for animal consumption rather than human consumption. It is estimated that when humans consume meat that has been fed with grain, only about **10% of the food energy** in the grain flows through to the human consumer; the rest of the grain energy is lost to the intermediate animal that consumed the original grain. In the US, about 90% of the corn crop is fed to livestock, and soybeans are the largest single source of protein food for animals.

Despite its energy inefficiency, energy-subsidised agro-industrial production does provide significant **benefits** to humans. Without this highly mechanised form of farming, the growth of large cities would be almost impossible, and farm workers would not be freed for what many regard as more desirable forms of employment. It must be acknowledged, however, that these benefits have only been possible with the support of increasingly heavy **subsidies of energy**. A **challenge** facing humanity in the years to come is whether it will be possible to maintain a high quality of life (that includes rich artistic and cultural output, education, scientific advances, and so on) while at the same time moving into a declining or steady-state of sustainable energy use.

Another environmental cost of agro-industrial farms arises from the large amounts of **pesticides, herbicides, insecticides, and chemical fertilisers** that are required to support large-scale capital-intensive monoculture farming. It is estimated that in the United States, about 400 million kilograms of **pesticides** are used each year. However, only about 10% of these chemicals actually reach the insects that they are targeting as excess poisons are released into the air and onto the ground, where they accumulate in streams and the groundwater.

Wherever **chemical fertilisers** are used, there is always some runoff of excess nutrients into nearby creeks and rivers. The build up of nutrients in natural waterways can create artificially nutrient-rich environments that lead to **algal blooms**. When algal growth gets out of control, the algae consume



**8.38** An algal bloom caused by excessive nutrient runoff from farms into the waters of the Broads, UK.

all the available oxygen in the water, creating an anaerobic (oxygen-starved) environment that kills the natural plants and water life. Algal blooms and foul odours are features of many types of agro-industrial farms, such as **CAFOs** (confined animal feeding operations) for poultry and livestock.

CAFOs present another environmental hazard, as they are places where **disease outbreaks** can easily and quickly spread due to the high density and close confinement of large numbers of the same species of livestock. In 2009, a worldwide outbreak of deadly **swine flu** (also known as H1N1, or influenza-A) was traced back to its point of origin, which was said to be a large pig farm in La Gloria, Perote Municipality, Veracruz State, Mexico. The farm was an agro-industrial farm where 15,000 pigs were raised in 18 large warehouses, run by the subsidiary of a large US-owned transnational food conglomerate.

**Water pollution** from agro-industrial farming can affect areas a long way from the source of the pollution. Because many fertilisers are nitrogen-based, **nitrogen compounds** are a common type of water pollution downstream of farms where fertilisers are used. In the United States, nitrogen pollutants from farms in the mid-western states flows down the Mississippi River and poisons coastal waters, leading to the degradation of the fishing industry in the Gulf of Mexico.

Environmental degradation has an **economic cost**, which can be quantified. This allows us to measure the **financial efficiency** of large-scale farming in relation to its **environmental consequences**. On one hand, it is claimed that agro-industrial farming brings benefits for consumers through **lower prices** for food. It is also claimed that agro-industrial farming helps the national economy because the large **profits** generated by the giant agribusiness corporations boost the **national economy**, although how widely these benefits are spread throughout the economy is debatable.

A full accounting system balances these benefits by **offsetting** them against social and environmental costs, including the **opportunity cost of jobs lost** (because of the small number of people who typically work on such farms), the cost of **health problems** caused by environmental poisoning, the real costs of **extra farming inputs** such as fertilisers,



8.39 Pigs being raised intensively in an agro-industrial complex in the United States.



8.40 Dead pigs on the farm in Veracruz, Mexico, where swine flu was said to originate.

pesticides, heavy machinery and fuel costs, and the losses experienced by other industries as a result of **environmental degradation**.

According to the Union of Concerned Scientists in the United States, a major problem with assessing the environmental impact of agro-industrialisation is that we do not yet have an adequate understanding of the ways some agricultural chemicals **impact on living creatures**, including humans. One example of this is the potential for endocrine disruption that it seems many pesticides may have. Endocrine disruptors are molecules that have the ability mimic the actions of human and animal hormones, thus disturbing biological functions such as reproduction that are hormone-dependent. At this time, the full extent of the impact of endocrine disruptors is unknown, and many people are calling for a moratorium on their use until more research has been conducted.

For these and other reasons, it is increasingly recognised that resource-efficient, sustainable, environmentally friendly agricultural production — known as **green growth** — benefits both natural ecosystems and economic development. The quality and quantity of agricultural production depends on **natural capital**, which is the stock of natural resources and the quality of the physical environment. Green growth farming strategies are designed to adopt **sustainable practices** that increase natural capital by preventing environmental degradation.

In the short-term, green growth strategies often increase the economic cost of production. One green growth strategy is to use **organic fertilisers** (which are usually more expensive than chemical fertilisers) in small doses so that excess fertiliser does not wash into streams and rivers and cause algal blooms or eutrophication. Applying organic fertiliser is more labour intensive than applying chemical fertilisers, which raises the cost of this aspect of green growth farming.

In many countries, large-scale farmers and agribusinesses tend to have more **political influence** and **lobbying power** than small-scale, family-operated farms. Agribusinesses that compete on world markets usually want to keep costs of production as low as possible, and thus campaign against regulations or reforms that require environmentally sustainable green growth strategies that minimise energy inputs. This helps explain why the **cost to consumers** for organically produced food remains higher than the cost of food that is produced on an industrial scale, even when such food has been transported to the market from another continent.

The **global shift in food production** is somewhat different to the global shift in manufacturing. Transnational manufacturing corporations usually search constantly for cheaper production opportunities wherever they occur in the world. The possibilities are more restricted in farming because **climatic constraints** mean that only certain crops can be grown in a given environment, and because a large part of the **fixed capital** in farming (the land) cannot be moved across national borders. It is far more difficult to move a wheat field overseas than it is to move a car factory.

## Chapter 8 - Environmental risks

Table 8.1

The global shift of agriculture: comparison of neoliberal and alter-globalist viewpoints.

Neoliberal global agriculture	Alter-globalist alternatives to globalised agriculture
Long commodity chains (high food miles)	Locally sourced food (low food miles)
Import - export approach to food security	Food from local community and lands
Market monopolies and concentration	Multiple agents and diverse producers
Monoculture and mega-scale farming	Biodiversity and small-scale farming
Petrochemical inputs and toxic waste	Organic inputs and re-used outputs
Factory farms and rural depopulation	Small-scale farms and rural-urban partnering
Hypermarkets	Farmers' markets
Created wants (advertising)	Healthy wants (education)
Fast food	Slow food
Dependency culture	Local community self-reliance
Social polarisation	Social inclusion
Citizen treated as a consumer	Consumer treated as a citizen
Top-down control	Bottom-up empowerment
Commodification and patenting of nature	Socially shared science

Source: Adapted from C Hines (2000) *Localization: A Global Manifesto*, London: Earthscan, and M Sparke (2013) *Introducing Globalization: Ties, Tensions, and Uneven Integration*, Chichester: Wiley-Blackwell.

Nonetheless, there have been **examples** of US agribusinesses establishing plantations to grow fruits and vegetables in Central America for export to the United States, and extensive land purchases in Africa by Asian and Middle Eastern corporations as insurance against possible future food shortages.

Globalisation of agriculture is one area where **neoliberal views** contrast sharply with **alter-globalist views**. Table 8.1 outlines the differences between these perspectives, which can be summed up as neoliberals wanting unconstrained global free trade, whereas alter-globalists want protection for local food systems and environmental sustainability.

### QUESTION BANK 8E

1. What is meant by 'agro-industrialisation'? In which parts of the world is it most commonly found? Why is this?
2. Comment on the energy efficiency of agro-industrialised farms.
3. Why are the inefficiencies in agro-industrialisation tolerated?
4. Is it fair to blame the global outbreak of swine flu in 2009 on agro-industrialisation?
5. Identify the effects of agro-industrialisation on the physical environment.
6. Compare and contrast the neoliberal and alter-globalist views on the global shift of food production and the role of global agribusiness.



**9.1** The interior of a so-called sweatshop. Rather than attending school to receive an education, these young girls work in a dark, unlit textiles factory without fans or air conditioning in Amarapura, Myanmar. Most girls in this situation are fired when they turn 18 to 20 because their fingers are no longer as nimble as they were.

## Successes of civil society organisations

**Social movements** arise when broad collections of like-minded people **mobilise** around particular **goals** or particular **identities** such as ‘farmers’, ‘workers’ or ‘environmentalists’. When organised into **civil society organisations**, social movements work to achieve positive change by targeting government, market and broader development processes. **Causes** that are taken up by civil society organisations include issues such as access to education and health care, human rights and

justice, workers’ conditions, environmental degradation, and overcoming ethnic, religious and gender discrimination.

Civil society organisations use a variety of **techniques** to lobby for improvements in the status quo. **Formal tactics** include strikes, petitions, letter writing, lobbying, advocacy, social media campaigns and crowdsourcing. **Informal tactics** include protest marches, song and dance performances, blockades, and everyday resistance.

In the sections that follow, we will examine the actions of one **social** and one **environmental** civil society organisation.

## CASE STUDY

### SweatFree Communities

**SweatFree Communities (SFC)** is a civil society organisation that was established to **assist sweatshop workers** globally in their struggles to improve working conditions and form strong, independent unions.

The organisation's **origins** can be traced back to 2003 when grassroots organisations in the US states of Maine, Minnesota, New York, Washington, and Wisconsin came together to create SweatFree Communities. Through the efforts of their volunteers, each individual state group had been successful in promoting ground-breaking new **procurement policies** that required their state and local governments not to purchase any uniforms or other clothing made in sweatshops. By 2010, just seven years later, nine US states, 40 cities, 15 counties, 118 school districts, and one nationwide religious denomination had adopted similar 'SweatFree' policies, some through SweatFree Communities, and some through other advocacy groups.



**9.2** SweatFree Communities activists campaign in Portland, Oregon, USA, for their government administrators to join the SweatFree Purchasing Consortium.

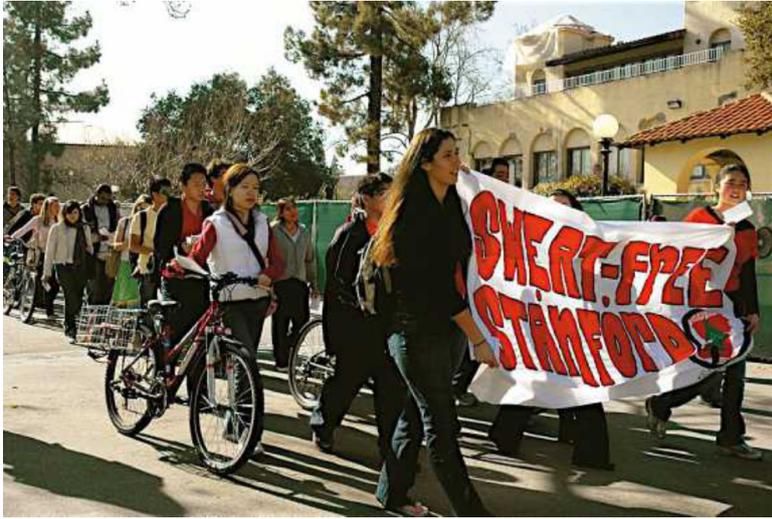
Today, SFC continues to co-ordinate similar **local campaigns** in the United States, promoting the adoption of sweat-free procurement policies. It also maintains **resources** for education and policy development, conducts **research** on supply chain transparency and the working conditions in government supplier factories, and co-ordinates **educational and information sessions** for government officials.

Since 2010, SFC has worked with leading government agencies in the United States to form the **SweatFree Purchasing Consortium**, which is a membership organisation for governments to help them act strongly and transparently to meet their goals for sweatshop-free purchasing. In this way, SweatFree Communities as a civil society organisation influences government policies and actions.

The stated **goal** of the SweatFree Purchasing Consortium is *"to change the rules of competition to favour not businesses that produce the cheapest possible goods at the expense of workers, but those that offer good value while operating transparently, providing humane working conditions, and valuing workers' human and labour rights."* The Consortium provides expertise and pools resources to monitor working conditions and enforce "SweatFree" standards.

In 2010, SweatFree Communities joined forces with the **International Labor Rights Forum**, becoming an ILRF affiliate. The International Labor Rights Forum is an international not-for-profit organisation whose self-declared mission is to advocate "for and with the working poor around the world". Affiliation with the ILRF enabled SweatFree Communities to **network extensively** with other civil society organisations that share similar goals, such as:

- **The Worker Rights Consortium (WRC)**, which is an independent labour rights monitoring organisation that conducts investigations into working conditions in factories around the world. Its purpose is to combat sweatshops and protect the rights of workers who make clothing apparel and other products. It monitors the origins of clothing sold in the United States, Canada and the United Kingdom, especially clothing that carries college or university logos.
- **United Students Against Sweatshops (USAS)** is the United States' and Canada's largest youth-led, student labour campaign organisation, with affiliate groups on over 150 campuses. USAS affiliates run both locally and nationally-coordinated campaigns for economic justice in partnership with worker and community organisations. Since its formation in 1997, USAS has won several campaigns that became precedents for anti-sweatshop decisions



**9.3** Concerned students at Stanford University in California, USA, campaign for a SweatFree environment on campus. The students were concerned that some of Stanford's business practices did not reflect the students' values. The students were especially concerned that the university's sourcing policies allowed for sweatshops to produce their apparel, including clothing bearing the Stanford logo. The students demanded that all clothing sold on campus should be manufactured and distributed with moral integrity.

elsewhere, it has educated students about the growing dominance of corporations in the globalised economy, and has trained tens of thousands of young activists to become skilled organisers, researchers, and campaigners in labour and social justice organisations.

- **The Maquila Solidarity Network (MSN)** is a labour and women's rights organisation that supports the efforts of workers in global supply chains to win improved wages, better working conditions, and a better quality of life. Based in Canada, it works with groups in Central America, Africa and Asia to improve working conditions for women working in garment factories in export processing zones. It focusses particularly on Nike as a manufacturer, Walmart as a retailer, and Myanmar as a country with many small sweatshop factories.
- **The Chinese Working Women's Network (CWWN)** was set up in 1996 as an NGO with the purpose of improving the lives of Chinese women who have migrated from rural areas to work in urban factories, focussing especially on developing feminist awareness of workers' empowerment. CWWN describes itself as a civil society organisation comprising "labour organisers, feminists, university professors, researchers, social workers, cultural activists,

workers and students", whose goal is "to facilitate migrant women workers to fight for alternative and sustainable development in China.

**Sweatshops** are factories where workers are employed for very low wages, working for long hours in poor working conditions such as overcrowding in dangerous buildings, often using hazardous machinery, with poor lighting and ventilation. Sweatshop operators often impose **harsh working conditions** upon employees, with no health care, no sick pay, no holiday pay, no pay during lunch breaks, and abuses such as sexual harassment, discrimination and beatings.

Most sweatshops are associated with the **clothing** and **footwear** industries, but they also occur in other industries such as **electronics** and **children's toys**. A provocative article about globalisation in *The Irish Times* in the prelude to Christmas



**9.4** A maquiladora (EPZ sweatshop) in Guatemala.



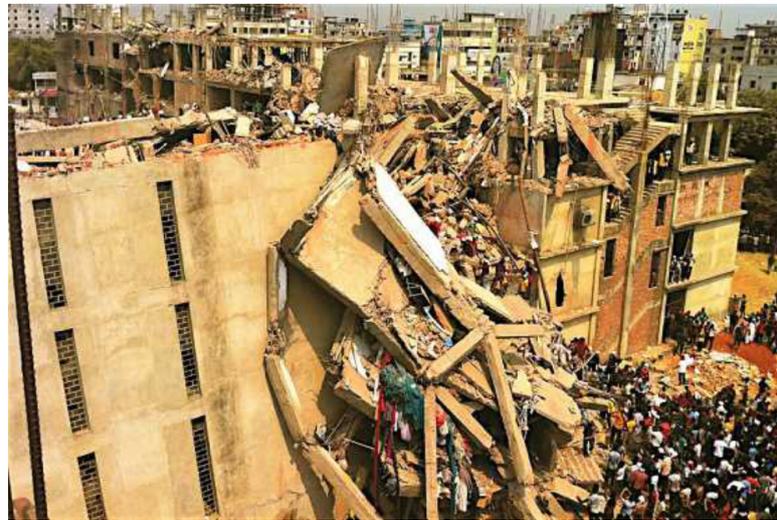
**9.5** A maquiladora in an export processing zone (EPZ) in Mexico.

described the situation in these words: *“These days, Santa’s toys are all churned out in the crowded sweatshops of the Pearl River Delta (in China), not by elves but by 1.5 million peasant girls sweating through a sub-tropical summer in 12, or even 14-hour shifts inhaling toxic fumes”*.

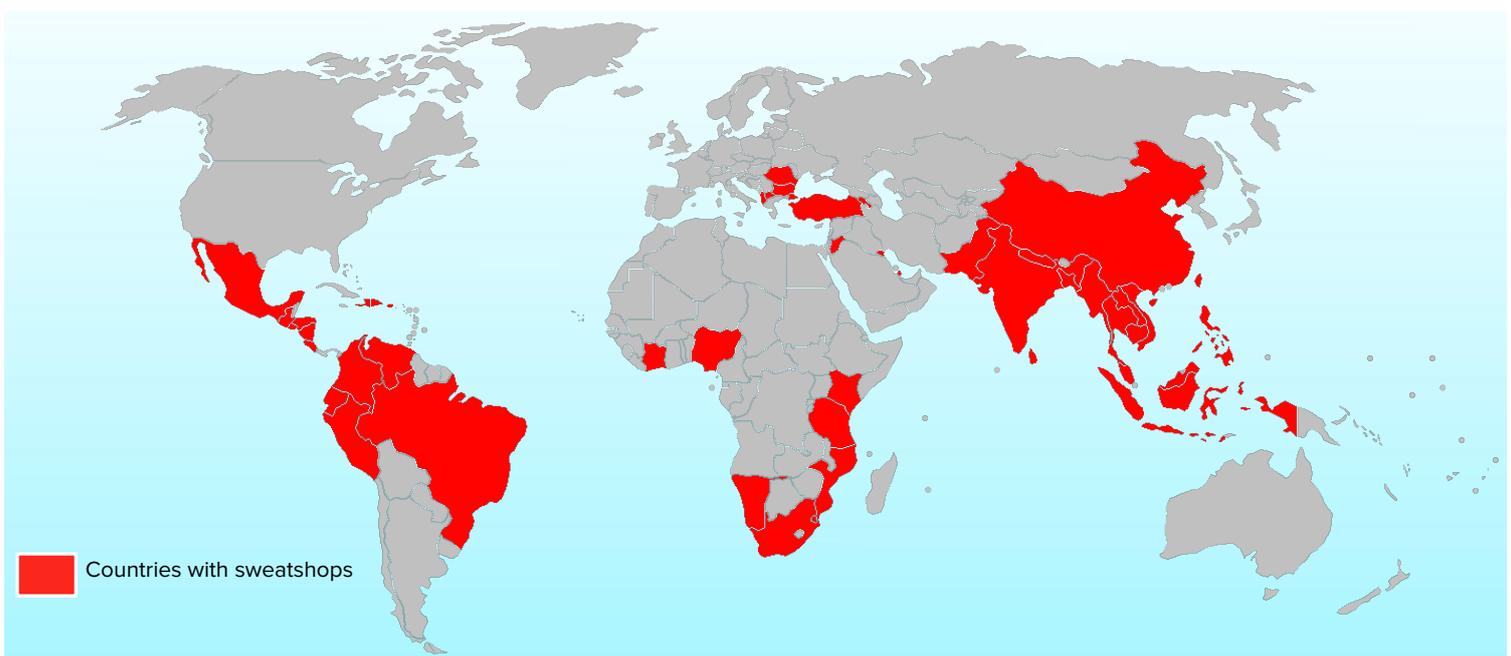
If the Dickensian textile mills of Lancashire (UK) in the Industrial Revolution of the 1700s are set aside, **modern sweatshops** first appeared in the 1960s in export processing zones (EPZs) on the Mexican side of the US-Mexican border. Known as **maquilas**, or **maquiladoras**, they were established to use poorly paid women workers to assemble consumer goods for the US market, adopting a model that Matthew Sparke (Professor of Geography at the University of Washington) described as *“bottom-feeding, low-paying, hyper-exploitation plus pollution”*.

With the introduction of **NAFTA** (the North American Free Trade Association) in 1994, tariff barriers and other trade restrictions between Mexico, Canada and the United States were removed, and this gave new impetus to the maquilas in Mexican cities such as Tijuana and Juarez. By 2001, there were more than 3,700 maquilas in Mexico, but since that time, the number has declined as manufacturers **shifted** to countries in Asia, Africa, Eastern Europe and other parts of Latin America with even lower wage levels.

Sweatshops in all parts of the world have been implicated with practices that very few people would condone, including **slavery, human**



**9.7** The collapse of the Rana Plaza Building in Dhaka, Bangladesh, on 24th April 2013 was the world’s deadliest garment sweatshop tragedy. Before the collapse, 3,639 people worked in five factories within the building for US, Canadian and European clothing labels and retailers. Of the workers, 80% were women aged 19 to 20 years old working 90 to 100 hours per week with just two days off per month for wages ranging from 12 to 24 cents per hour. On the morning of the collapse, most workers refused to enter the building because dangerous cracks had appeared in the walls, but the building’s owner paid gang members to beat the workers, forcing them to enter the factories. With an hour of entering the building there was an electricity blackout and the building’s generators kicked in, and almost immediately there was an explosion that caused the building to collapse. Eight floors of the building pancaked downwards, killing 1,137 of the people within and injuring a further 2,500, many of whom had to be dragged from the rubble. The collapse occurred because (a) the building was built on saturated land that did not provide a sound foundation, (b) the building had been built for office use but had been converted to industrial use, (c) four floors had been added above the original permit, and (d) sub-standard construction materials had been used to reduce building costs.



**9.6** Countries that are known to have sweatshops. Additional countries may also have unreported sweatshops.

**trafficking, child labour, debt bondage, physical beatings** for disobedience or falling asleep on the job, causing **stress** than in some cases has led to **suicides**. Some sweatshops have bars on the windows and locks on the doors to prevent workers leaving, and these have resulted in the deaths of workers in several instances where fires have broken out in sweatshops and employees can't get out.



**9.8** The interior of the Tazreen Fashions Factory in Dhaka, Bangladesh, after a fire swept through the sweatshop on 24th November 2012. Before the fire, the factory produced garments for the US retailers Walmart and Sears, although after the fire both companies claimed they had no idea their clothing was made in the factory. As a result of the fire, 117 people were killed and about 250 were injured. The fire started when an electrical short-circuit occurred on the ground floor, trapping the workers in the factories on the nine floors above. The fire spread quickly because of the large quantities of flammable materials such as cloth and yarn lying around.



**9.9** About 200 children who became orphans when their parents were killed in the two sweatshop accidents shown in figures 9.7 and 9.8 demonstrate in Dhaka, Bangladesh. They are demanding that the US and European clothing brands and retailers whose garments were made in the sweatshops pay compensation to the bereaved families, and that all factories in Bangladesh be required to comply with building and fire regulations.

On 11th September 2012 the deadliest factory fire in world history occurred in a sweatshop clothing factory operated by **Ali Enterprises in Karachi, Pakistan**, when 289 workers died. The Ali Enterprises factory was making jeans for Diesel, Go Blue and KiK, and its annual sales before the fire were US\$50 to US\$100 million.

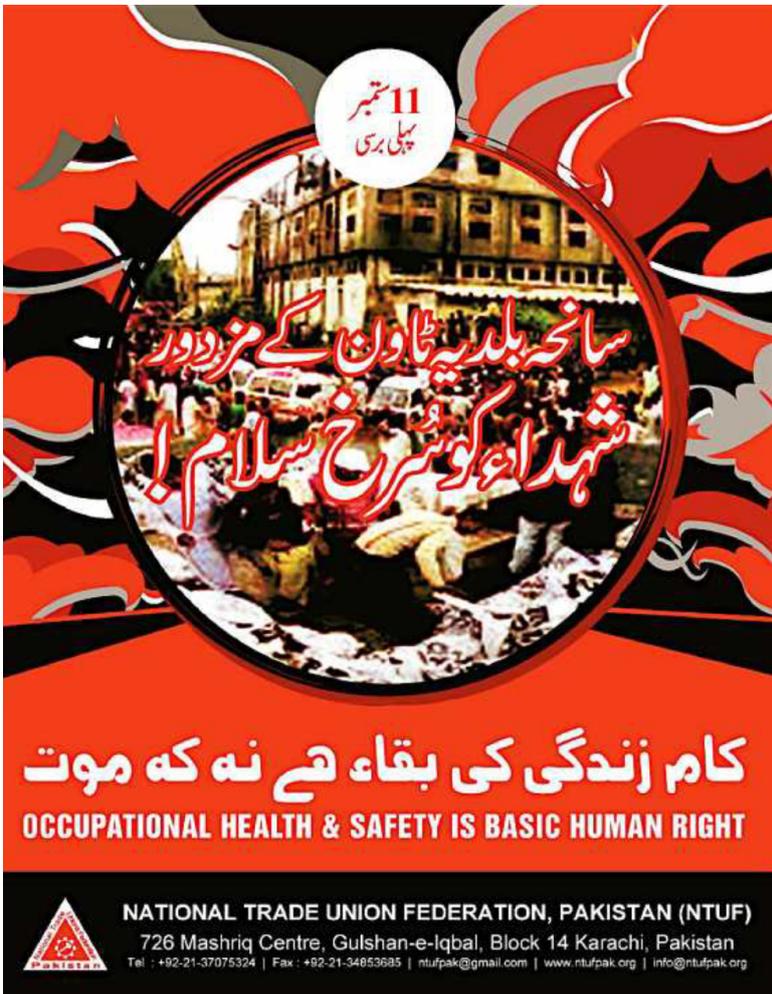


**9.10** The Ali Enterprises Factory in Karachi, Pakistan, after the fire that killed 262 sweatshop workers.

Ali Enterprises was an **unregistered, illegally** functioning factory with an **unapproved** building design, and was **lacking** any onsite fire-fighting equipment or emergency alarm system. Workers reported that the factory employed **children** and that all workers were employed under an illegal **third-party contract** system. Workers were **not unionised** and therefore had no collective bargaining power to push for better working conditions. The factory had only **one exit**, which at the time of the fire was blocked, and all windows were covered with **iron grills**. Even though the factory had two earlier fires, including one in February of the same year, the factory owners had failed to take any precautionary measures or to



**9.11** Four weeks after the Ali Enterprises fire, members of the Workers' Rights Movement in Pakistan protest in front of the City Court in Karachi, demonstrating against bail being granted to the owners of the garment factory.



9.12 A poster calls on improvements to working conditions and safety in sweatshops in Pakistan following the Ali Enterprises factory fire on 11th September 2012.



9.13 Families of workers who died in the Ali Enterprises fire walk through the streets of Karachi, Pakistan, holding up photographs of sweatshop employees who died in the fire and demanding compensation and improvements to conditions.

educate their workers in **fire safety and exit strategies**. Therefore, when the building started to go up in flames on 11th September, workers found that they were not only **trapped**, but that they were forced to **save factory materials** and equipment before attempting to save themselves.

Many **well-known companies** that sell expensive garments in developed countries source some or all of their products in sweatshops. Some examples of this practice are Nike, Banana Republic, Gap, H&M, Zara, Walmart, Victoria's Secret, Disney, Sears, Forever 21, Urban Outfitters, Adidas, La Senza, Uniqlo, and Marks and Spencer.

The fact that so many large, influential, international companies are obtaining their products from sweatshops makes the task of **resisting sweatshop production** difficult for committed civil society organisations such as SweatFree Communities. Governments whose countries host sweatshops are usually reluctant to close them down because the owners of sweatshops are often **wealthy supporters** of ruling politicians and **donors** to their political campaigns. Furthermore, sweatshops provide **employment** for people, many of whom are unskilled and would have trouble finding jobs elsewhere. Despite the poor working conditions, most employees of sweatshops would **prefer** low wages and poor conditions than not having any job at all. Moreover, the outputs of sweatshops contribute significant **export earnings** for many countries, especially some of the smaller countries in Central America.

**SweatFree Communities** has tried to address the issue of poor working conditions in sweatshops by focussing on the **consumer end** of the supply chain rather than the source end, which is the sweatshops themselves. This strategy was adopted because SweatFree Communities felt it would have more influence within its own culture and society, which is the United States.

SweatFree Communities urges wholesale purchasers of clothes and footwear to adopt a **SweatFree Procurement Policy**. These policies commit wholesale purchasers such as city and state governments, universities and schools to purchase only products from sources that are proven to provide decent wages and safe working conditions for their employees, that do not employ child or slave labour, and which allow their workers to join trade unions. Many administrations in the United States (and elsewhere) are required to purchase goods "from the lowest responsible bidder", and SweatFree Communities advocates that the definition of "responsible bidder" includes a reference to these conditions.

To support their SweatFree Procurement Policies, SweatFree Communities encourages governments to join the **SweatFree Purchasing Consortium**. This program allows member governments to obtain economies of scale, and thus lower prices, by ordering larger numbers of products together, rather than through individual small orders. As a result of this initiative, government employees who wear uniforms, such as fire fighters, metro employees and police, know they are wearing ethically produced clothing if they work in participating cities.

The rate at which governments have joined the Consortium has been slow, and to date, membership comprises **three states** (Maine, New York, Pennsylvania) and **13 cities** (Ashland, Oregon; Austin, Texas; Berkeley, California; Chicago, Illinois; Ithaca, New York; Los Angeles, California; Madison, Wisconsin; Milwaukee, Wisconsin; Olympia, Washington; Portland, Oregon; San Francisco, California; Santa Fe, New Mexico; Seattle, Washington; University City, Missouri).

As a result of the efforts of SweatFree Communities and other like-minded civil society organisations, many clothing, footwear and electronics sweatshops have **improved the working conditions** for their employees. This is especially so for sweatshops that supply products for well-known brands, as these attract the most **publicity** on social media platforms.

Some sweatshops that used to employ **child labour** no longer do so, at least in places where it might be seen by outside observers, and the use of hazardous, toxic **chemicals** in the production of some goods such as footwear and electronics has been curtailed. With an average of about **60 working hours per week** in many sweatshops, working hours still tend to be very long by the standards of developed countries, but they are better than the 80 hour working weeks that were more common as recently as 2010.

Conditions in sweatshops that are not as closely connected with well-known brands continue to be **sub-standard**, and this includes sweatshops that **disguise** their connection to well-known brands by producing goods under contract to intermediary companies and individuals.



**9.14** As an alternative to sweatshops, the Alta Gracia Apparel factory in the Dominican Republic is a 'living wage' enterprise. Owned by Knights Apparel, a US-based manufacturer of university and college logo clothing, Alta Gracia is actively supported by SweatFree Communities. The wages that workers receive are US\$3.00 per hour, which is about 3.5 times higher than average incomes in the Dominican Republic. The factory is located in a former sweatshop that used to produce baseball caps for Nike and Reebok until its owner moved operations to Bangladesh and Vietnam because labour costs were lower.



**9.15** A wider view of the Alta Gracia 'living wage' garment factory in the Dominican Republic, which is supported by SweatFree Communities.

The actions of civil society organisations such as SweatFree Communities have been praised by the International Labour Rights Forum, and others, as an exciting and positive contribution to the international worker rights movement. In addition to improving the plight of workers in sweatshops, campaigns for SweatFree procurement policies foster sustained **local activism** in developed countries, and encourage the development of **strong coalitions** of diverse groups that embrace organised labour, students, peace and justice activists, and faith-based groups.

## QUESTION BANK 9A

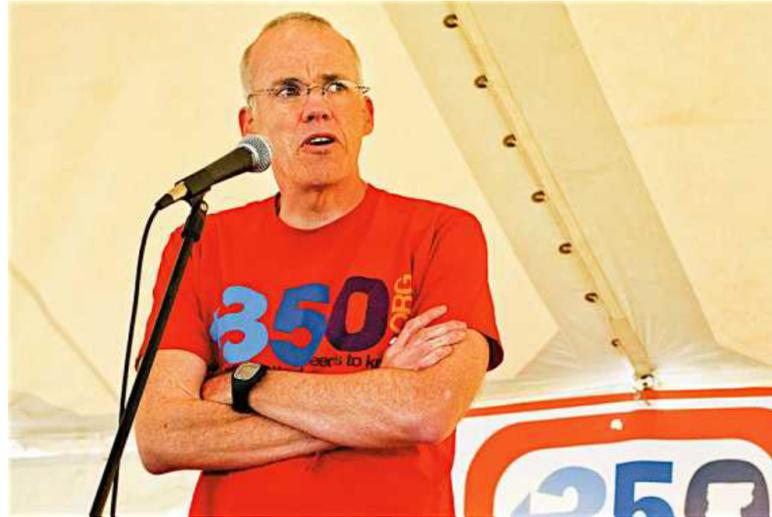
1. How are 'social movements' and 'civil society organisations' related?.
2. Outline the formal and informal tactics that civil society organisations use to lobby for their causes.
3. What are the goals of SweatFree Communities?
4. Explain how SweatFree Communities works to achieve its goals through (a) campaigning and lobbying, (b) networking with other civil society organisations, and (c) working with governments.
5. What are sweatshops, and what are their typical characteristics?
6. With reference to figure 9.6, describe the world distribution of countries with sweatshops, and relate this distribution to levels of economic development.
7. Giving examples of at least two specific incidents, explain why sweatshops are dangerous working environments for their employees.
8. Given the extent of negative publicity about sweatshops and their obvious problems, why do they still exist in many parts of the world?
9. How effective is SweatFree Communities in confronting the problem of sweatshops?
10. Assuming you do not live in an area where SweatFree Communities already operates, describe the steps you would need to take to establish a similar or affiliated civil society organisation with comparable goals. What improvements would you make to the SweatFree Communities model?

## CASE STUDY

### 350.org

**350.org** is an international civil society organisation (NGO) with an explicit focus on **fighting climate change**. It was established in 2008 by American environmentalist and author, **Bill McKibben**, together with a group of students at Middlebury College, a liberal arts college in Vermont, USA.

350.org aims to **reduce atmospheric levels of carbon dioxide** by building a **grassroots movement** of activists to **raise community awareness** of anthropogenic climate change and its potentially devastating impacts. 350.org endeavours to achieve its goals by **confronting climate change denial** among politicians, business leaders and the general community. They use **street marches**,



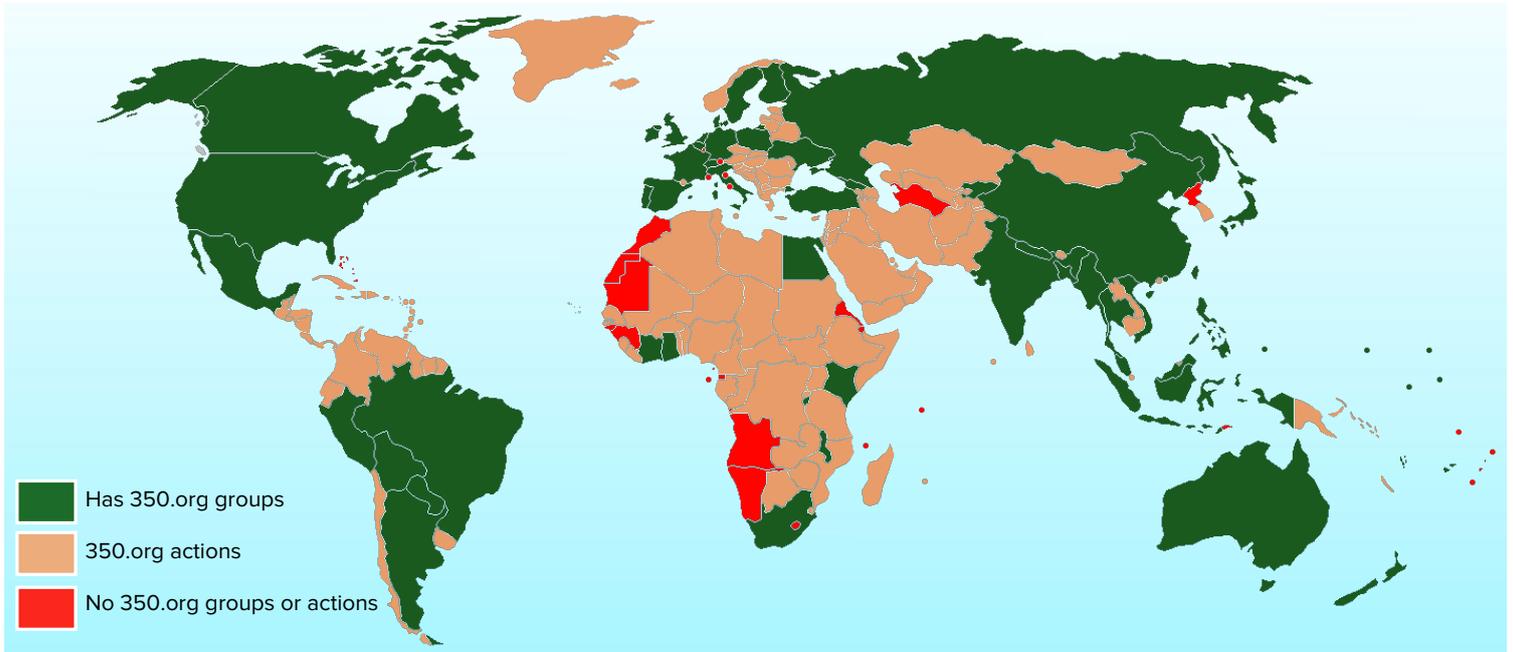
9.16 Bill McKibben, the founder of 350.org.



9.17 "Climate change is the single biggest thing that humans have ever done on this planet. The one thing that needs to be bigger is our movement to stop it" - quote by Bill McKibben.

**protests** and **public lobbying**, encouraging everyone to **reduce their outputs** of carbon dioxide. Indeed, the name of the organisation – 350.org – is based on the **key target** of reducing atmospheric carbon dioxide levels from 400 parts per million to 350 parts per million (ppm).

Before starting 350.org, Bill McKibben had written extensively on global warming, alternative energy, the risks of human genetic engineering, and the need for economies to become more localised and less globalised. On the question of atmospheric carbon dioxide (CO<sub>2</sub>) levels, McKibben had argued in his writings that a CO<sub>2</sub> concentration exceeding **350ppm** would place the planet beyond a tipping point beyond which it might never recover. At the time he wrote these thoughts, the Earth's carbon dioxide concentration had already reached 385pp; the level today is 407ppm.



9.18 The world distribution of 350.org activities. Countries with 350.org groups have one or more registered local groups, fossil free groups, or global power shift groups.

Formation of the 350.org organisation stemmed from concern about atmospheric carbon dioxide that became mobilised after McKibben organised a walk across the state of Vermont in 2006. Called ‘Step It Up’, McKibben’s five-day walk attracted widespread attention, leading to rallies with hundreds of people in cities and towns across the United States to campaign against carbon dioxide emissions. The following year, this grew into the international organisation known as 350.org.

Within its first year, 350.org had established offices and organisers in various cities across North America, Europe, Asia, Africa and South America. These offices sensitised people from many different backgrounds to the threat of rising carbon dioxide, and many of these people responded by joining the movement to campaign against climate change. Today, 350.org has a global network that is active in 188 countries.

350.org describes its core belief as “a safe climate and a better future – a just, prosperous, and equitable world built with the power of ordinary people”. Its specific goals are stated as:

- Keep carbon in the ground
  - ▶ Revoke the social licence of the fossil fuel industry
  - ▶ Fight iconic battles against fossil fuel infrastructure
  - ▶ Counter industry / government narratives



9.19 350.org protesters display a huge banner on Dana Glacier in the Sierra Nevada mountain range (USA) to highlight the glacial retreat that is occurring because of climate change.



9.20 350.org volunteers in the city of Salvador, Brazil, gained publicity by drawing people’s attention to the rise in sea level caused by climate change, its impacts on everyday life.



**9.21** On 9th January 2017, Day Against Denial protests were organised by 350.org across many parts of the United States to inform the population that the arguments of climate change deniers were not supported by scientific evidence. This demonstrator is holding a graph showing the relationship between global temperatures and atmospheric carbon dioxide.



**9.22** Demonstrators in Canberra, Australia's capital city, encourage government departments and other institutions to divest their financial holdings in fossil fuel companies.



**9.23** 350.org climate change activists participate in the Power For Change campaign in Melbourne, Australia, calling on Australia's big polluting power companies to stop using fossil fuels.

- **Help build a new, more equitable low-carbon economy**
  - Promote investment in community-based sustainability solutions
  - Support communities confronting the impacts of climate change and building climate solutions for an economy free of fossil fuels
- **Pressure governments into limiting emissions**
  - Run local and national campaigns targeting government and political leaders
  - Capitalise on big regional and international events, like climate negotiations and economic summits

The work of 350.org revolves around **three core principles**:

- **Belief in Climate Justice**

350.org aims to promote **climate justice** by **accepting guidance** from the communities that are most impacted by the exploitation of fossil fuels and climate change. The fight against climate change is seen as a fight for justice because people all over the world are feeling its impacts, from island nations that are going underwater, to indigenous land being exploited for fossil fuel extraction. Therefore, 350.org **listens** to the communities that are getting hit the hardest, and then **follows the leadership** of those who are on the front lines of climate change.

- **Actions are stronger with collaboration**

Climate change isn't simply an environmental issue, or a social justice issue, or an economic issue, but rather, it is **all of these** simultaneously. Climate change is one of the **biggest challenges** humanity has ever faced, and **widespread collaboration** between disparate groups will be needed to solve it. This means bringing people together – not just environmentalists, but students, business owners, faith groups, labour unions, universities and more – and building **diverse coalitions** that are strong enough to put pressure on governments and stand up to the fossil fuel industry.

- **Mass Mobilisations Make Change**

**Mass mobilisation** of people opens the eyes of government and corporate power-holders to the power that people are building through prolonged organising and campaigning. It seems

obvious that world leaders are **incapable** of solving the challenges of climate change on their own, so the **community** needs to get out in the streets and make their voices heard. In that way, the movement can demonstrate its **power**, which is how **governments are forced** to make the right decisions.

A key aspect to 350.org's effectiveness and power is its ability to **network** with allied organisations, and to campaign using the internet and social media. 350.org works with hundreds of **partners** around the world, including Avaaz, Friends of the Earth, Greenpeace, the Rainforest Action network, the World Council of Churches, Sierra Club, MoveOn, the Energy Action Coalition, FOEI and WWF.

The **core tactic** of 350.org's **lobbying** is the **strategic campaign**, which depending upon the local environment may involve **street marches, protests, demonstrations, or meeting** with government officials or business managers. Many of the campaigns are organised using **online tools**, both to communicate the science of climate change and to recruit participants. A **website** is maintained for this purpose at 350.org, enabling potential activists who are interested in fighting climate change to network with like-minded individuals, find local groups and participate in local campaigns and demonstrations.

350.org has had some **significant successes** in its efforts to raise awareness of climate change and its impact on the planet, including:

- In the period leading up to the United Nations Climate Change Conference in Copenhagen in 2009, 350.org **spread the number "350"** widely through the media, raising awareness of the atmospheric carbon dioxide concentration desired by the organisation.
- 350.org gained world-wide publicity by organising **5,200 demonstrations in 181 countries** on one day (24th October 2009) to publicise climate change. This was the first time that **internet tools** had been used on such a large scale to organise public demonstrations.
- 350.org was a key organiser of the **People's Climate March** that was held in various cities around the world on 21st September 2014. The march in New York City (USA) brought 311,000



**9.24** Young people demonstrate in the streets of New York City, USA, for climate change in the People's Climate March on 21st September 2014. 311,000 people participated in this march that was largely organised by 350.org.



**9.25** Faith-based communities and climate justice groups including 350.org held a candlelight vigil in 2015 in Quezon City, Philippines, to call on Pope Francis to take a lead on climate action by committing to divest the Vatican Bank from fossil fuels.



**9.26** Campaigners for Fossil Free Berlin, one of 350.org's affiliated organisations, staged street protests in February 2015 for Global Divestment Day, demanding the government divest its investments in fossil fuel companies.



9.27 A protest to stop construction of the Keystone XL pipeline in downtown San Francisco, USA.

demonstrators into the streets, the largest climate change march in history to that time. Worldwide, about 600,000 people demonstrated for climate change on that day, with other large protests taking place in Berlin (Germany), Bogotá (Colombia), Delhi (India), Istanbul (Turkey), Johannesburg (South Africa), Lagos (Nigeria), London (United Kingdom), Melbourne (Australia), Paris (France) and Rio de Janeiro (Brazil).

- 350.org has been the leading environmental group trying to stop construction of the **Keystone XL pipeline**, designed to carry oil from bitumen sand deposits in Canada across the United States to refineries in Roxana (Illinois) and Houston (Texas). The pipeline is a highly controversial project because its construction will **delay the adoption** of sustainable and renewable energy

sources. 350.org argues that the Keystone XL pipeline poses **additional risks** that include contamination of underground water resources in addition to the damage it would cause by raising carbon dioxide emissions by increasing fossil fuel use. Therefore, the pipeline is seen as a **pivotal test case** in the battle between climate change activists who oppose it and fossil fuel proponents who support it.

- 350.org has a continuous campaign to persuade colleges, universities, cities, churches and pension funds to **withdraw their investments** in fossil fuel companies. The campaign argues *“if it is wrong to wreck the climate, then it is wrong to profit from that wreckage”*. This campaign is gathering momentum as a growing number of schools, universities, local governments and churches in the United States and Australia have agreed to divest their investments in fossil fuel companies.
- 350.org produced **two documentary movies**. The first movie, called ‘Do the Math’, was made to publicise the damage that fossil fuels do to global climates. The movie focussed on three related numbers: to keep global warming below 2C°, humanity can emit only 565 more gigatonnes of carbon dioxide compared with the 2,795 gigatonnes that are held in proven reserves by fossil fuel corporations. The second movie called ‘Disruption’ was designed to be shown at watch-parties organised in activists’ homes, and focuses on the devastating consequences of inaction in dealing with climate change.
- A second **People’s Climate March** was held on 29th April 2017 to coincide with Donald Trump’s first 100 days in office as US President. Unlike the 2014 event, this march was confined to cities in the United States as the aim was specifically to protest against the environmental policies of the new US administration. Tens of thousands of people participated in these demonstrations.
- 350.org has been heavily involved in other **smaller campaigns and events**, such as the Global Power Shift conferences in Turkey, India, Malaysia, Thailand, Poland, Vietnam, Canada and Australia, the Summer Heat Campaign in the United States, the campaign opposing the Adani Mine that threatens the Great Barrier Reef in Australia, and an online campaign to send



**9.28** 350.org attempts to raise its public profile by selling branded clothing, accessories (such as branded shoulder bags), buttons and stickers through its website store so that protesters on the streets promote the organisation's identity. Production of the clothing is sweatshop-free and free of fossil fuels, being manufactured by Zazzle Apparel in San Jose, California, USA.

messages to world leaders demanding a freeze on new fossil fuel developments and finance for a just transition towards a 100% renewable energy future for the planet.

### QUESTION BANK 9B

1. What are the goals of 350.org?
2. Describe the establishment and growth of 350.org.
3. With reference to figure 9.18, describe the world distribution of countries with 350.org groups.
4. What are the core beliefs of 350.org?
5. Explain how 350.org works to achieve its goals, giving examples of some of the successful actions it has taken.
6. Compare and contrast the successes of SweatFree Communities and 350.org as international civil society organisations that have attempted to raise awareness and find solutions to the risks arising from global interactions.

## Strategies to build resilience

Neoliberal advocates of globalisation and alter-globalists who oppose globalisation agree on one thing – there are **significant risks** associated with globalisation and global interactions in general. They may not agree on the specific nature of those risks, but neoliberals and alter-globalists would agree that there is a need to build **resilience**.

Although the methodology of Geography is strong when analysing the past and explaining the present, Geography (like most subjects) becomes unreliable when trying to predict the **future**. The usual system used is to **extrapolate** past trends into the future, but this technique does not allow for the kinds of **disruptive changes** that have occurred and continue to occur in the world, seemingly at an accelerating pace.

If we simply **extrapolate past trends** in globalisation, we would probably conclude that it is inevitable that global interactions will continue to grow and expand, that offshoring of manufacturing will send jobs from developed to developing countries, that transnational corporations will continue to make large profits by avoiding tax, and that the world's cultures will become increasingly homogenised. Predictions such as these seem safe after half a century of unprecedented globalisation.

However, an increasing number of geographers, economists and sociologists are **questioning the inevitability** that globalisation will continue at an accelerating, or even at a constant, pace. There are three significant **threats** to continuing globalisation:

- There is a **tension** between transnational corporations, which demand greater control over international trade, and an increasing number of governments and civil society organisations that are demanding greater accountability by TNCs. If governments succeed in getting TNCs to pay the taxes that are due to them, many of the incentives to send production offshore will be lost, together with the marketing opportunities that flow from globalised supply chains.
- Globalisation depends on a generally **healthy economy** and **stable political situation**, at least in the high income countries whose consumers

benefit most from low prices and in the developing countries where factories are being built to handle globalised production. Just as the Great Depression in 1929 brought globalisation at the time to a halt, a new economic crisis, such as a banking scandal, credit squeeze or a major financial disruption, could once again pose risks to globalisation. Similarly, if a major conflict broke out that involved a superpower, globalisation would almost certainly be curtailed.

- The reaction of unemployed workers to jobs being exported from high income countries to developing countries is becoming increasingly hostile in some countries, such as the United States, and this places strong **political pressure** on governments in those countries to grant incentives or impose regulations that will boost manufacturing employment in their own country. When governments impose tariffs or quotas against the import of foreign goods, or create a tax environment that is designed to boost employment in their own country, the policies are known as **protectionism**.



**9.29** Not all offshore manufacturing goes to sweatshops. The large silver building in the middle of this oblique aerial view of Ashgabat, Turkmenistan, is the Ashgabat Textile Complex. It was opened in 2007 to use locally grown cotton for the manufacture of clothing for Calvin Klein, Sara Lee, Walmart, Ikea and Nautica to sell in the United States, Western Europe and Scandinavia. Overall, the site covers 36.5 hectares, and the floor area of the main building is 89,900 square metres. In addition to its fashion designer clothing, the factory produces satin sheets for 5-star hotels across the world, and bathrobes using machinery imported from Japan, Germany and Italy. The factory is heavily mechanised and employs only about 350 workers, of whom 200 live in dormitories provided at the factory. Rather than low-cost labour, the attraction of TNCs to this project were access to low-cost cotton and incentives provided by the Government of Turkmenistan.

## Reshoring of economic activity by transnational corporations

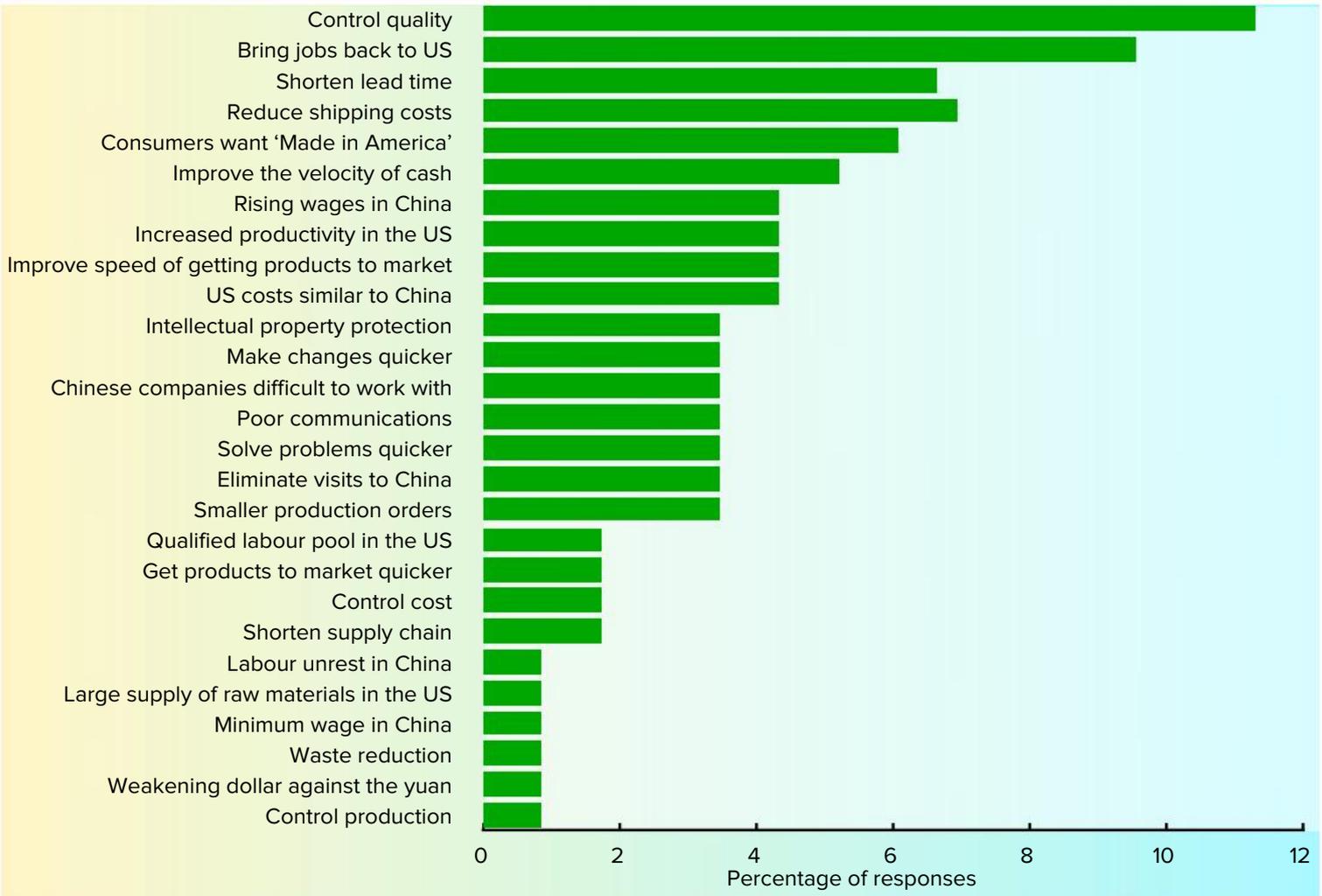
A major feature of globalisation has been the process of **offshoring**, which occurs when transnational corporations and smaller companies move production facilities away from high-cost countries to places where labour and other costs of production are lower. Offshoring enables a company to benefit from **sourcing efficiencies** that reduce costs of production, improving the company's competitiveness and profitability.

One form of offshoring is **outsourcing**, where companies contract work to outside suppliers in low-cost production areas to produce goods on their behalf, often labelled with the branding of the contracting company. The other main form of offshoring occurs when companies **build factories** in their own name in a foreign country where costs are lower than their home country.

**Reshoring** is the opposite of offshoring. Also known as onshoring, inshoring and backshoring, reshoring occurs when companies relocate operations that were overseas back to their home country. Since the early 2010s, reshoring has gained momentum among US companies and, to a lesser extent, with some UK and German companies.

Reshoring occurs for both **economic** and **political** reasons. A survey of US firms that were involved in reshoring in 2012 revealed a **range of reasons** that had persuaded them to bring their factories, and thus jobs, back to the United States (figure 9.30). Some reasons, such as controlling quality and bringing jobs back to the US, can be classified as **pull factors**, because they are features of the United States that attract companies to locate their factories in the US. Other reasons, such as rising wages in China and Chinese companies are difficult to work with, are **push factors**, because they repel companies away from the foreign country (in this case, China).

Although there are several clear **benefits** in offshoring, such as cheaper consumer goods in developed countries and more employment that fuels economic development in developing countries, companies also experienced **problems** that have boosted the recent rise in reshoring. Many companies that had engaged in offshoring



**9.30** The results of a survey conducted among US manufacturers in 2012 on the reasons they are reshoring.  
Source: MainStream Management LLC.

received **criticism** for exporting jobs and avoiding taxes, which **tarnished their image** in the community, among consumers, and with politicians in regions with rising rates of unemployment.

Many firms also found that operating in foreign countries presented challenges, such as the difficulties arising from **communicating** in several languages, **errors** arising from mixing metric and imperial standards, unanticipated demands for **bribes** and 'gifts' to clear obstacles to production, additional costs and time taken for **transport**, and challenges when dealing with offices and factories that operate in **different time zones**. Some companies found that **currency restrictions** and banking regulations often slowed financial transactions and payments extending the period between the investment of funds and the return of profits which is known as the **velocity of cash**.

US companies operating in Latin America and parts of Asia also complained that the **culture** and **work ethic** among employees were different from their

expectations. Even more significantly, some companies found that their **intellectual property** was used without permission to manufacture **counterfeit** and **pirated goods**, undercutting the market for the company's own products.

From the US Government's perspective, offshoring was (and is) seen as a form of **exporting jobs**, increasing **unemployment**, losing specialist **skills**, reducing the **tax base** and lowering the country's overall **wealth** as measured by gross national product. In areas where factories that made up a substantial part of the local economy have closed due to significant offshoring, **urban decay** and **dereliction** often arose, as happened in Detroit (Michigan, USA) and Hershey (Pennsylvania, USA).

Significant **push factors** that encourage reshoring to the United States and Western Europe from China include:

- The Chinese Government has **reduced the subsidies** and other support it provided for

Chinese factories to produce goods for export, making goods manufactured in China **less competitive** on world markets as more production is being saved for Chinese consumers.

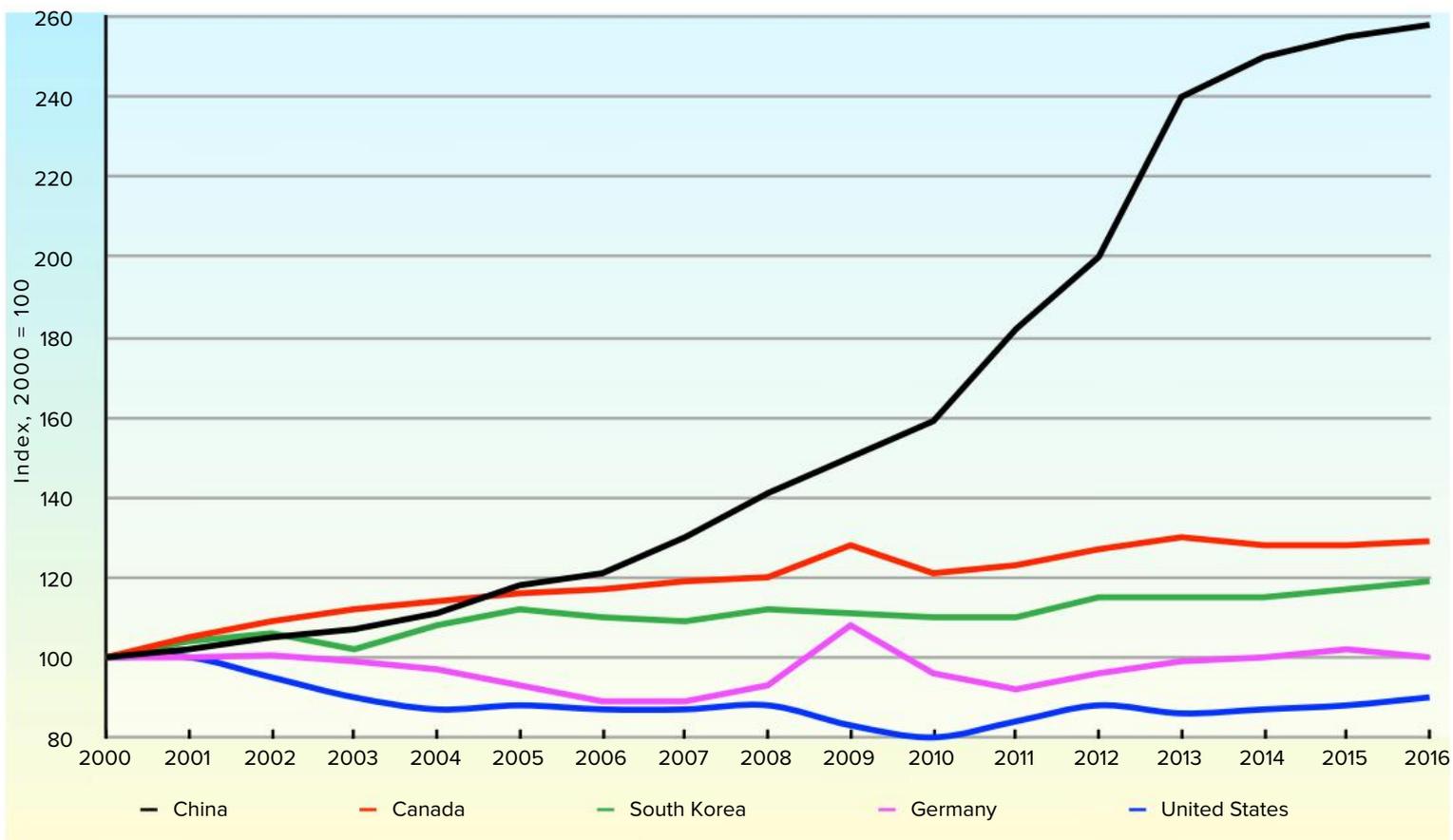
- After many years of supporting an undervalued currency (the yuan) to make its exports artificially competitive on world markets, the Chinese government now allows its currency to adjust to its **real value against other currencies**, which has made the yuan more expensive.
- **Shipping costs** increased markedly during the early 2010s when the price of oil was unusually high, and although oil prices have since fallen, manufacturers are now cautious about the impact of possible future increases in oil prices.
- Many consumers in North America and Western Europe have become wary about goods made in China because of bad experiences with **poor quality** products.
- **Wages have risen in China** as the country has experienced an economic boom, enabling its workers to demand higher wages.

Although all these factors are significant, the rise in **wages** in China has been especially significant.

Figure 9.31 shows the trend in wages required to produce one unit of output in the manufacturing sectors of selected countries, indexed to the year 2000. **Index figures** such as these are scaled to a common figure of 100 in the starting year (in this case, 2000), so the figures for subsequent years indicate the wages in that year as a **percentage** of wages in that country in 2000. It should be noted that this graph does not compare wage levels per unit produced between countries, only the **rates of change** between different countries.

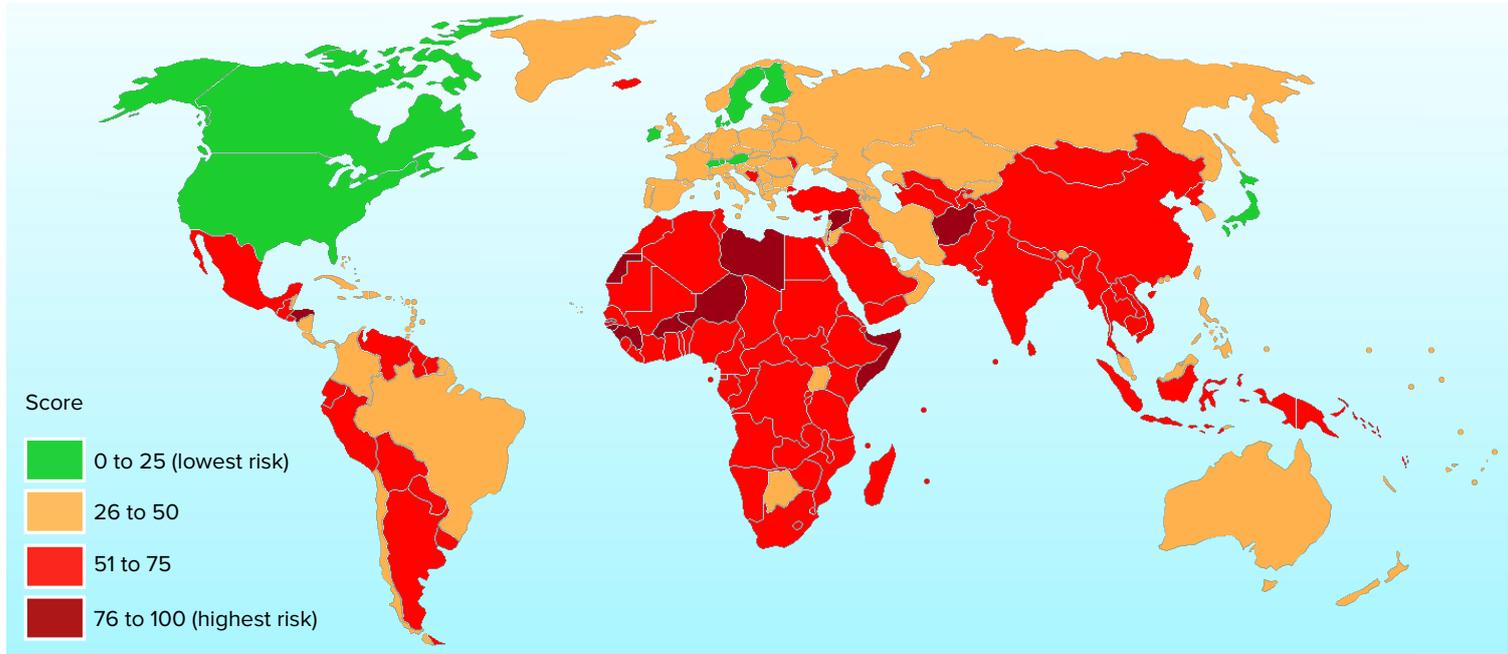
Another term for the wage level per unit produced is **productivity**. When wages rise faster than productivity, unit labour costs climb because each unit produced costs more in wages.

Figure 9.31 shows that labour costs per unit produced by the manufacturing sector in the **United States** decreased by about 12% between 2000 and 2015. This indicates that productivity rose faster than the cost of labour. By contrast, in **China** the rise in labour costs far outpaced increases in productivity, indicating that labour became comparatively more expensive. A similar, though not as extreme, difference also occurred between



**9.31** Indexed labour costs in the manufacturing sector of selected countries, 2000 to 2016.

Source: United States Department of Commerce, Economics and Statistics Administration analysis of data from Bureau of Labour Statistics, International Labour Comparisons program and National Bureau of Statistics of China.



9.32 Labour market risk score by country, 2017.

Source: United States Department of Commerce Economics and Statistics Administration analysis using data from the Economist Intelligence Unit.

wage growth and changes in productivity in China and Germany; **Germany** finished the period 2000 to 2015 with manufacturing wages and productivity almost where they began. These trends provided a strong **incentive** to reshore manufacturing from China to the United States and China.

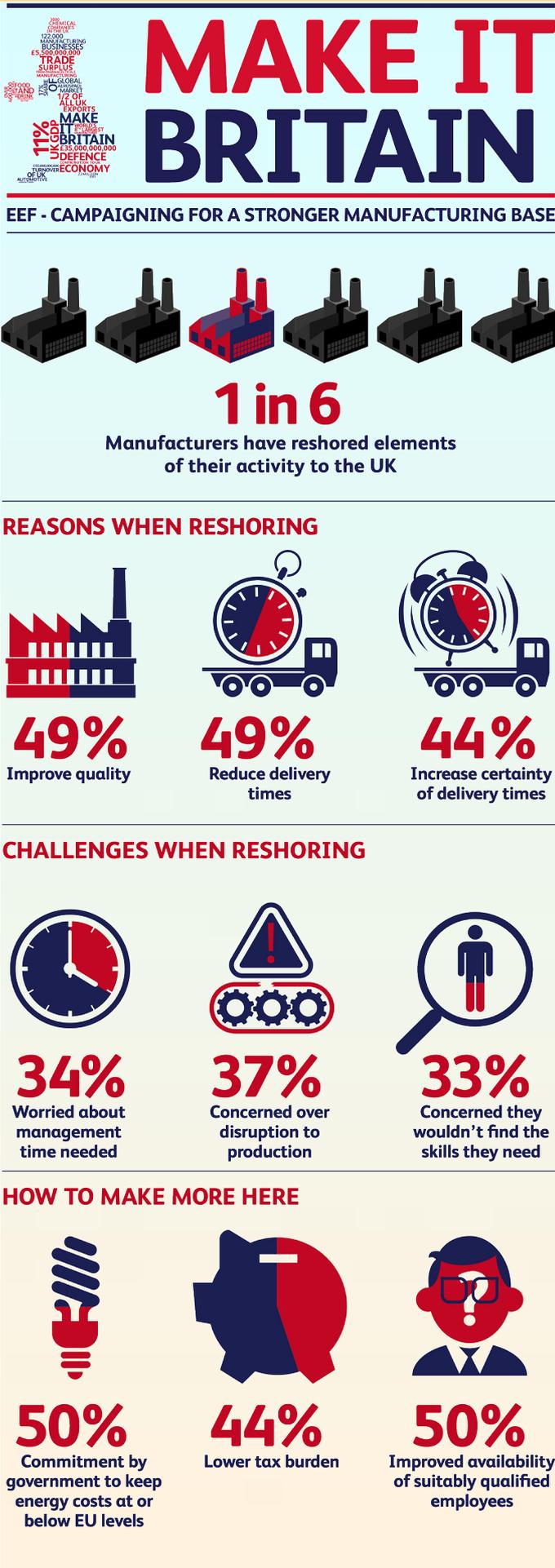
Figure 9.32 shows an international comparison of the **labour market risk**, which takes into account the factors of wages and productivity shown in figure 9.31, plus other **risk factors** that may disrupt businesses such as staff turnover, the cost of recruiting replacement workers, and the skill level of the general population. The risk is shown on a scale from 0 to 100 where 100 is the highest risk and 0 is the lowest. The world's least risky labour market was **Liechtenstein**, with a score of 12, followed by **Switzerland** and the **United States** with a score of 14. **Japan** and many nations in Europe achieved scores in the 20s. Among the countries that have been attracting offshoring operations from US and European companies, **China** and **Mexico** both scored 57, while **Vietnam** scored 61. This helps us understand why reshoring has become **more popular** among US and European manufacturers in recent years as a way to minimise risk and build resilience.

The **relative safety** of manufacturing in the United States and Western Europe has encouraged a growing number of firms to reshore. Caterpillar (a US-owned machinery manufacturer) reshored its

manufacturing from China to a new factory it built in Texas, General Electric moved its production of washing machines, refrigerators and heaters back from China to a factory in Kentucky that had been expected to close, while Apple began manufacturing Mac Pro computers in Texas and Lenovo (a Chinese-owned computer maker) began manufacturing ThinkPads in North Carolina. Other companies that have reshored manufacturing back to the United States since 2013 include Walmart, Ford, NCR, Boeing, Flextronics, and Farouk Systems.

Reshoring is not yet a panacea for overcoming the risks of offshoring for transnational corporations. Most reshoring has been **assembly work** rather than the entire manufacturing process, suggesting that **global supply chains** are still used to obtain the raw materials, parts and components used in reshored manufacturing. Although some firms have built new factories, about two-thirds of reshoring operations are conducted in factories that had been vacant and required minimal renovation. This may suggest that manufacturers are still **unsure** whether reshoring will become a long-term trend or not.

Although reshoring is occurring in Western Europe, the trend is strongest in the **United States**. In the period from 2000 to 2008, offshoring from the United States was exporting 100,000 to 150,000 manufacturing jobs per year, while reshoring



(which was not measured officially at the time) comprised perhaps 2,000 jobs per year. By contrast, offshoring from the United States has fallen to a loss from the US of 30,000 to 50,000 jobs per year, whereas reshoring is growing at about 30,000 jobs per year. This indicates that new offshoring has fallen by 70% to 80%, but new reshoring has risen by about 1,500%. Since 2000, the **ratio of new annual offshoring to new reshoring** has fallen from about 50:1 to about 1:1.

Reshoring became a significant **political issue** in the 2016 US Presidential election. During the campaign, Donald Trump (who subsequently won the election) campaigned heavily with promises to bring American manufacturing jobs back to the United States. He received strong support in the so-called Rust Belt, where many unemployed people felt their jobs had been exported through offshoring to low-wage countries overseas, especially China and Mexico.

Following Donald Trump's victory, meetings were held with industry CEOs, during which **pressure** was placed upon them to reshore. Shortly after the meetings, **General Motors** announced a US\$1 billion project to move car production from Mexico to Michigan, **Hyundai** announced a US\$3 billion investment program to expand its factories in Georgia and Alabama, **Ford** announced cancellation of a planned new car factory in Mexico and an expansion in Michigan instead, and **IBM** announced a US\$1 billion program to reshore jobs from India to the United States. While Trump's supporters claim this is evidence that **political changes can encourage reshoring** and thus reduce domestic unemployment, critics claim the reshoring initiatives announced after Trump's election were being **planned for some time anyway**, as such major corporate reversals do not happen without thorough processes of planning and analysis. If the critics are correct, the increase in reshoring is primarily driven by **economic factors**.

In return for reshoring, President Trump promised **reductions in the rate of corporate tax** (from 35% to 15%) and assured CEOs that some aspects of **free trade** and **multilateral trade agreements** would be scaled back to protect American manufacturing. These measures were designed to supplement the economic forces that already favoured reshoring with assurances of **political support**.

9.33 An infographic designed to encourage UK firms to reshore. Source: EEF

QUESTION BANK 9C

1. Outline the threats that may cause the process of globalisation to slow down, or even reverse.
2. Explain the difference between 'offshoring' and 'reshoring'.
3. Classify the reasons for reshoring that are given in figure 9.30 into (a) push factors, and (b) pull factors. Then estimate the total percentage of responses that mentioned push factor reasons and the total percentage of responses that mentioned pull factor reasons, and compare the two.
4. What conclusions can you draw from the comparison you made in answering the previous question?
5. What problems have companies encountered with offshoring their production?
6. Explain the significance of the trends for reshoring shown in figure 9.31.
7. Describe the world pattern of labour market risk shown in figure 9.32, and explain its significance for reshoring.
8. Outline evidence that reshoring is occurring. Mention specific examples and overall statistical evidence.
9. Summarise the message of the infographic in figure 9.33.

- **Crowdfunding** is used by civil society organisations, especially voluntary organisations, as well as individuals and small businesses with a strong community focus to raise funds towards a worthy goal. The simplest form of crowdfunding is the **donation**, where no good or service is expected in return for the donation, and the motivation is commitment to the ideal or goal proposed. Other forms of crowdfunding include discounted **pre-payments** to obtain a new product, which is a way of raising startup capital, and less admirably, pyramid schemes and online fraud.
- **Crowdsearching** is used by civil society organisations, and less frequently by governments and businesses, to search for and **recruit personnel**. By opening up vacancies through crowdsourcing, extensive networking occurs to identify and motivate suitable applicants for a position.
- **Crowdsolving** occurs when large numbers of people collaborate to offer **problem solving** solutions to community issues, environmental challenges, development opportunities, etc.

Crowdsourcing technologies

**Crowdsourcing** is the process of using internet technologies to engage a large group, or 'crowd', to work together in order to achieve a common goal. Crowdsourcing is used by civil society organisations, individuals, governments and businesses for purposes such as **fundraising** (which is called crowdfunding), **mobilising people** to work towards a common cause, **problem solving**, sharing **information**, conducting **research**, political **activism**, spreading **ideas**, **recruiting** personnel, **selling** products, **creating** media, and many other reasons as shown in figure 9.35.

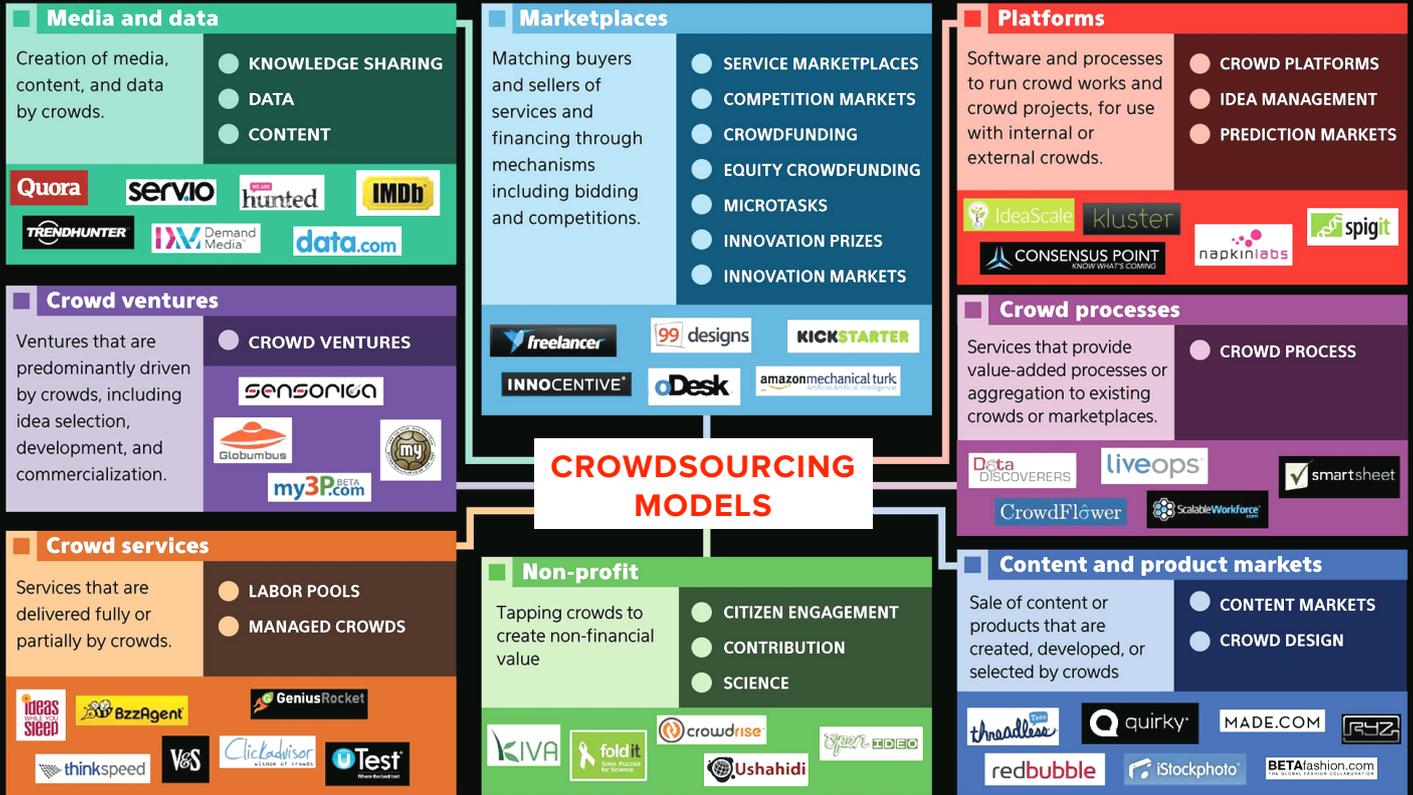
Crowdsourcing provides a mechanism to **democratise** knowledge, power and authority, providing large numbers of people to engage in '**bottom-up**' action rather than simply accepting '**top-down**' decisions from established authorities. It provides a means for like-minded people to **connect**, irrespective of their geographical location, and is therefore a process that **promotes global interactions**, at least among everyone with access to the internet.

Crowdsourcing has developed its own **vocabulary** around several of its major uses:



**9.34** Crowdsourcing was used extensively during the pro-democracy demonstrations in Hong Kong that were described in chapter 6. Social media platforms such as FireChat, which is an 'off-the-grid' smartphone app, used Bluetooth and wifi to create networks outside the internet that were difficult to track by government authorities. Through such means, protests were organised and alerts were sent when the police made threatening moves in certain places, drawing comparisons to be made between crowdsourcing and a giant, electronic megaphone. Similar mesh-network apps used to organise protests in Hong Kong and elsewhere include Serval Mesh, Commotion and Storymaker, while a Russian mesh-networking app called Telegram has been used to organise demonstrations in South Korea. In this view, a young man records aspects of the protest on his smartphone for immediate distribution.

# CROWDSOURCING MODELS



### Monetisation

	Marketplaces	Platforms	Crowd processes	Content and product markets	Media and data	Crowd services	Crowd ventures
Transaction fees	■			●	■		●
Membership fees	●	●	●	●			■
Test fees	●						●
Licensing		■				●	
Pay per task	●	●	■			●	■
Product sales					■		
Advertising / Search						■	
Subscription		■	●			■	●
Content sales					■	■	●
Packaged services					■	■	■
Custom services	●		■				■

### Success factors

	Marketplaces	Platforms	Crowd processes	Content and product markets	Media and data	Crowd services	Crowd ventures
Contributor breadth	■			●	■	●	■
Contributor quality	■				■	■	■
Buyer breadth	■	●		■	■	●	■
Buyer quality	■			●			■
Public reputation measures	■				■	●	
Internal reputation measures				■		■	■
Project management capabilities			■	■	●	■	■
Project management tools	■	■		■			
Content monetization model						■	
Quality control				■	●	■	■
Fulfilment					■		

9.35 An infographic showing the range of crowdsourcing models that can be used to build resilience for governments, civil society, and businesses. Crowdsourcing aims to engage a large group, or ‘crowd’, to achieve a common goal such as fundraising, innovating, problem solving or mobilising for a cause. Crowdfunding can be used to share ideas, review proposals, mobilise a population, inform people about innovations, recruit staff or voluntary personnel, promote products or ideas, and so on. Some types of crowdsourcing can be monetised, which means income can be earned or funds can be raised (which is ‘crowdfunding’).

Source: R Dawson & S Byngghall (2012) *Getting Results From Crowds*, n.p.: Advanced Human Technologies, via crowdsourcing.org.

- **Crowdvoting** is used to gather the **opinions** of large groups of people. It is used by businesses as an extended type of focus group, by governments and political parties to test voters' reactions to actions by a government or to float potential policies, by government departments to test reactions to new proposals (such as a new transport route or changes to health care), by civil society organisations to measure support for various causes, and so on.
- **Microtasking** occurs when a large task is broken down into **multiple smaller tasks** which are then undertaken by an online 'crowd'. Microtasking speeds up the completion of large tasks and arguably improves reliability because it allows diverse opinions and perspectives to be contributed. Civil society organisations use microtasking to perform significant tasks using the voluntary efforts of contributors, while businesses use microtasking by paying contributors small amounts of money for their small amounts of work.

During the **Arab Spring** demonstrations in North Africa and the Middle East in 2010 to 2012, crowdsourcing emerged as a powerful tool for protesters to organise themselves. Geographically dispersed people who shared common views were able to connect with each other in large numbers and share news, political views and details of the arrangements for street marches.

When the demonstrations broke out, Libya and Bahrain **shut down** their countries' mobile networks in an attempt to control the situation, while the Tunisian and Egyptian governments used phishing schemes to get protesters' passwords in order to disrupt the crowdsourcing. Crowdsourcing was a major instrument used by protesters to **organise** and **publicise** the anti-democracy demonstrations in **Hong Kong** in 2014. Fears of the power of crowdsourcing have caused several governments such as China, Iran, Turkey, Vietnam, Bangladesh and Pakistan to restrict or **ban social media** apps that facilitate such communications.

One of the largest and most successful examples of crowdsourcing is **Wikipedia**. Launched in 2001, Wikipedia is a free online encyclopedia that was developed entirely through crowdsourcing. When it began, Wikipedia was entirely open, and anyone

could create articles and contribute content. Although unrestricted access for contributions was later modified to require reviewing by editors to improve reliability and discourage vandalism, the number of editors with more than 100 edits per month remains high at about 3,500. Today, Wikipedia is available in 295 languages and is one of the world's ten most visited websites, arguably being the world's most comprehensive encyclopedia.

### QUESTION BANK 9D

1. Define the terms 'crowdsourcing', 'crowdfunding', 'crowdsearching', 'crowdsolving', 'crowdvoting', and 'microtasking'.
2. Explain how crowdsourcing helps civil society organisations and governments to democratise information, power and authority.
3. With reference to figure 9.35, suggest which of the eight crowdsourcing models is the most significant, and give reasons for your answer.
4. Give some specific examples where crowdsourcing has been effective for civil society and/or governments in building resilience.
5. Suggest two benefits and two problems of crowdsourcing.

### New technologies

With the accelerating growth of global interactions, such as the flow of digitised information and the growing number of international travellers, new strategies are needed to manage the flows and **ensure processes are resilient**.

#### Cybersecurity

As people, companies, governments and civil society organisations rely more and more on the internet, cybersecurity continues to grow in importance. **Cybersecurity** is the protection of computer hardware, software, digital information and networks from theft or malicious damage. Cybersecurity protects computer systems and networks from theft, destruction, disruption, hacking and any other nefarious use.

For **governments**, the greatest cybersecurity threat is probably cyberwarfare. **Cyberwarfare** is the use and targeting of computers in warfare through cyberattacks, espionage and sabotage. It has the potential to **isolate** a country from communications



**9.36** Personnel work at the United States Air Force Space Command Network Operations and Security Centre at Peterson Air Force Base in Colorado Springs, Colorado. US national security planners are proposing that critical infrastructure — power grids, communications, water utilities, financial networks — be similarly shielded from cyber marauders and other foes. Protection would be virtual, the limits of authority would be policed by the Pentagon and backed by digital weapons capable of circling the globe in milliseconds to knock out targets.

with the rest of the world, destroy its entire **financial system**, and even render its conventional **weapons inoperable**. Some military strategists believe that cyberwarfare will be the key in deciding the outcome of any future conflict between major military powers.

**Cyberattacks** by foreign governments are extremely difficult to trace or prove because ‘digital fingerprints’ can be falsified to resemble those of another hacker or another country. Nonetheless, computer experts are confident that cyberattacks have been launched by governments against other countries. Examples of such cyberattacks include the **South Korean** event in 2009 when major government, news media and financial websites were brought down through co-ordinated attacks that probably came either from North Korea or the United Kingdom, and the online **Australian census** that had to be abandoned in 2016 because of a DDoS attack that probably came from China. In 2010, faulty code infected several of the centrifuges used by **Iran** to enrich uranium, and Iran accused the United States of engaging in cyberwarfare to cause the issue which significantly slowed Iran’s nuclear program.

Increasing **dependence on networked computers and mobile communications** make everyone more vulnerable to cyberattacks, raising the importance

of cybersecurity. Cybersecurity aims to protect computers and networks against disruptions caused by a myriad of **techniques** such as backdoor attacks, clickjacking, denial-of-service attacks, eavesdropping, hacking, phishing, privilege escalation, and so on. Any computer on a network is potentially **vulnerable**, as are computers where data is added from external devices such as thumb drives and external discs. Even computers that are not networked are vulnerable to attack by **power surges** and **electromagnetic radiation** waves, either of which could be caused by a hostile attacker.



**9.37** On 8th March 2014, Malaysia Airlines flight MH370 disappeared while flying northwards from Kuala Lumpur to Beijing. It disappeared from air traffic controllers’ radar and its onboard computer system seemed to shut down at the same time. Subsequent analysis of satellite data showed the aircraft sharply changing its flight path, first heading south-west to Penang, then north-west towards India, and later turning south to the Indian Ocean. The main wreckage from the aircraft has never been found, but it is believed to have crashed into the ocean west of Australia. One unproven hypothesis is that a hacker (perhaps government-sponsored) hijacked the aircraft by taking over its on-board computer remotely as a trial for a possible larger scale future attack.

It is not only networked and stand-alone computers that require cybersecurity. Modern **aircraft and cars** rely heavily on onboard computers, and while high levels of cybersecurity protection are installed, hacking could be used to take over the onboard systems, potentially leading to a crash or a hijacking. The development of **self-driving cars** shows the importance of developing robust cybersecurity for onboard computers. Similar vulnerabilities exist with **medical systems** in hospitals, where reliance on life-saving equipment creates vulnerability to hacking, and especially **ransomware** attacks computer viruses and data breaches of sensitive personal information. More

widespread vulnerabilities arise as the **Internet of Things** expands, exposing buildings, household items, sensors, locks and security systems to potential hacking attacks.

The development of **cybersecurity defences** against cyberattacks is a growing industry in an effort to build the resilience of electronic systems and data flows. Firewalls, advanced encryption, two-factor login procedures with multiple redundancies, and intrusion detection systems are all used to try and boost cybersecurity. However, cyberexperts believe that all these defences are vulnerable when confronted by military, government or professional hackers.

### E-passports

**E-passports**, which are also known as biometric passports and digital passports, are passports that contain an electronic chip that contains **biometric information** about the passport holder. Although specific details vary between different countries, the data contained in the chip typically includes the passport holder's name, date of birth, biometric identifiers such as **fingerprints, iris scans** and a **high resolution photograph** of the passport holder than can be matched with facial recognition scanners at airports and other points of entry into a country. Not every country uses e-passports yet, but by 2017, 106 countries had introduced them.

The **motives** to introduce e-passports include improving the **accuracy** of identifying international travellers, thus inhibiting **human trafficking**, making identification of known **terrorists** and **criminals** easier, and making it more difficult for people to **modify stolen passports** to sell or to use.

Despite their benefits, e-passports do have some **shortcomings**. Lost or stolen passports could be used for **identity theft** if they were to fall into the hands of criminals with the technical capacity to read the data contained on the chip. Privacy advocates have objected to e-passports on the basis that they **infringe personal privacy** because the data on the chips can be transferred by RFID (radio frequency identification) technology, which is often unencrypted and vulnerable to hacking. Privacy concerns also arise because passport holders are not granted access to the data on their own passport chips.

### QUESTION BANK 9E

1. Define the term 'cybersecurity', and explain why it is important in today's world.
2. What is 'cyberwarfare', and how is it conducted?
3. Give some examples of cyberwarfare or suspected cyberwarfare attacks. How can governments defend themselves against cyberwarfare?
4. Why are global flows of data vulnerable to cyberattacks?
5. Explain why it is generally agreed that the risks of cyberattacks are growing.
6. What cybersecurity measures can be used to build the resilience of global data flows?
7. What are e-passports, and what information do they contain that conventional passports lack?
8. Outline the benefits of e-passports.
9. Identify the shortcomings of e-passports.



**9.38** The centre pages of e-passports contain a contactless integrated circuit electronic chip that must not be damaged by stamping by immigration officers or by folding. E-passports are identified by the rectangular symbol divided by the line and circle which is shown in red on the chip centre page in the passport shown in this photo.



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