

HL IB Geography



Your notes

4.1 Global Interactions & Global Power

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4.1.1 Globalisation Indices

Measuring Globalisation

What is globalisation?

- Globalisation is the increasing interconnectedness and interdependence of the world's economies, societies and cultures
- Globalisation is nothing new, with people and places having **past connections** of raw materials and labour exchanges
- However, globalisation today is bigger, more global and developing at a faster rate than in the past
- It is a process driven by improvements in communication and transport which have made it easier for people, goods and information to move across national borders
- There are three main forms of globalisation:
 - **Economic**
 - Pushed by the growth of **transnational corporations (TNCs)**
 - **Social**
 - The influence of ideas, culture, food, art, sport, etc. of one society on another
 - **Political**
 - The development and influence of international organisations on nation-states
- The degree of globalisation can be measured through how much a country participates in global interactions

KOF Index of Globalisation

- **KOF Index** (The Swiss Institute for Business Cycle Research) produces an annual Index of Globalisation
 - First published in 2002, it contains data from 1970
 - Measures the social, economic and political aspects of globalisation
 - Uses a wide range of data, such as participation in UN Peace-keeping missions to TV ownership
 - Countries are scored out of 100 and the higher the number, the more globalised the country is



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Dimension of Index	% of Index	Measures
Economic	36%	Degree of the flow of trade, capital, services and investments
Social	38%	Includes indicators such as the flow of information, ideas, images, culture and people across borders
Political	26%	The degree of political cooperation and participation in international organisations

▪ Issues with KOF Index

- This information is only available for 122 countries (2023)
- Some of the indicators used are now outdated due to improvements in telecommunications
- There is cultural bias in some of the indicators for example, the number of McDonald's Restaurants
- Trade indicators ignore the informal economy
- It does not consider environmental factors

Other Indices

AT Kearney Index

- First published in 2008
- It uses 12 indicators spread across 4 categories:
 - **Economic integration**
 - Flows of trade and foreign direct investments
 - **Connectivity**
 - The number of internet users, internet hosts and secure servers the country has
 - **Political engagement**
 - Membership of international organisations and treaties, contribution to UN peacekeeping, level of governmental transfers, such as aid
 - **Personal integration**

- International travel and tourism, international telephone traffic and personal cross-border financial transfers such as remittances
- The index value is calculated for each indicator on a scale of 0 to 1.0 (highest)

Issues with AT Kearney Index

- Only includes 62 countries (2023), although it does include 84% of the world's population and 96% of global GDP
- Dominated by European countries, USA and Canada
- The increased weighting given to connectivity, enables USA to get a high index score despite its low global political engagement in terms of treaties, such as the 2015 Paris Agreement

The New Globalisation Index

- This index is based on finance, trade, politics and social factors
- It is different from other indices, as it also measures the distance of traded goods and how many refugees a country has
 - Countries such as Australia, New Zealand and Argentina would score higher than France and Germany as the distances are greater
 - Jordan and Lebanon would appear more globalised than the UK due to the high numbers of refugees they have taken in

The Ernst and Young Globalisation Index

- Developed by the Economist Intelligence Unit
- It measures the 60 largest economies by its GDP according to their level of globalisation
- It measures:
 - Openness to trade
 - Capital flows
 - Cultural integration
 - Flows of ideas and technology
 - Labour movement



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Examiner Tips and Tricks

Be careful not to confuse globalisation with development. They are not the same, so make sure you understand the difference.

Globalisation is the increasing connectedness of countries around the world through the movement of goods, services, capital and ideas across borders.

Development is progress a country makes towards improving the standard of living for its population.



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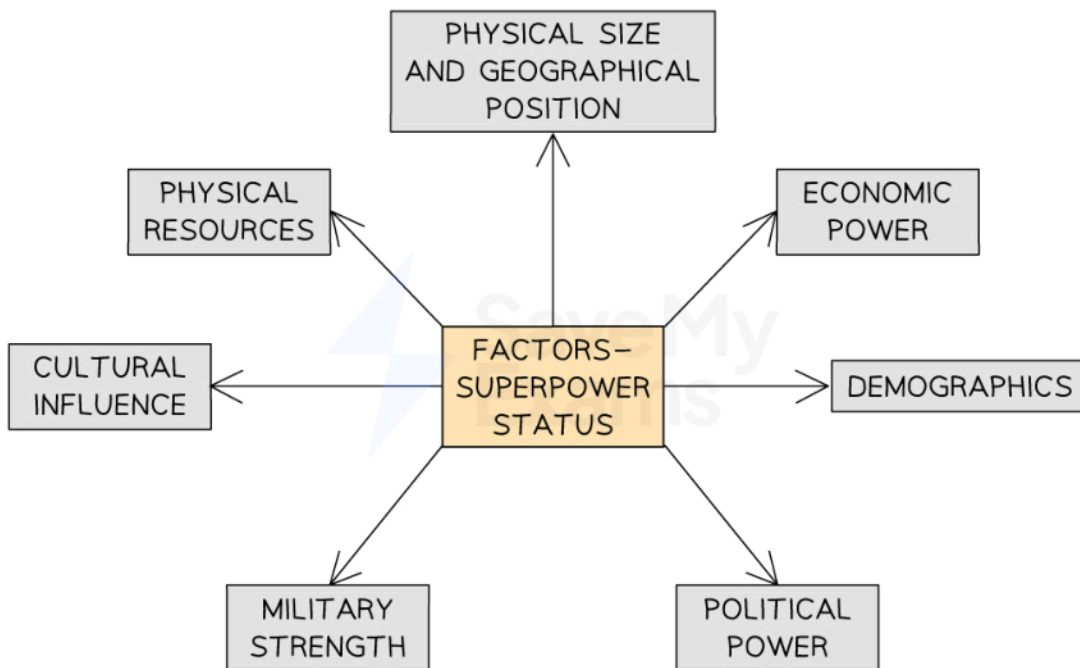


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4.1.2 Global Superpowers

Super & Soft Power

- A **superpower** is a nation which is able to project its influence and be dominant on a global scale in many countries at the same time
- Superpower status is gained through large-scale economic, cultural, resource, military and political strength



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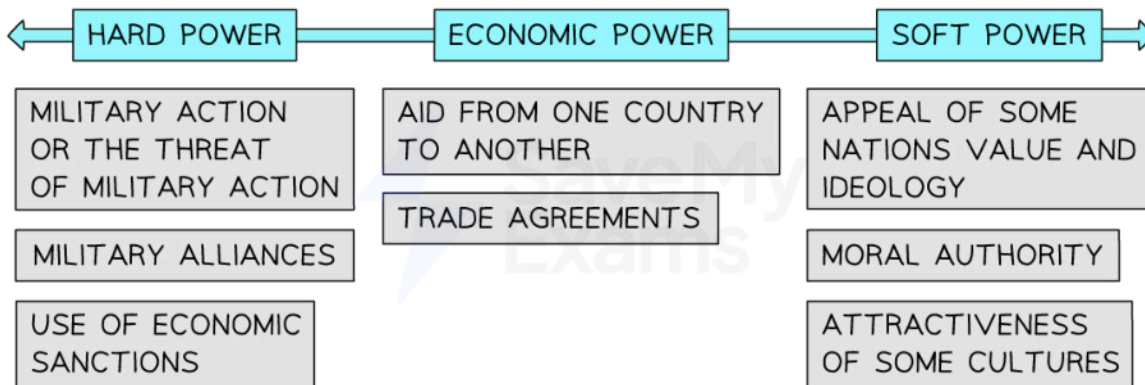
Factors leading to superpower status

- Several factors are listed above but many have characteristics that are linked
- The USA and the former USSR competed to become superpowers after World War II
- Influence can be achieved through soft and hard power
 - **Soft power** is use of diplomacy and cultural influence to change individuals, communities and nations without the use of force
 - For example, Starbucks and McDonalds are cultural influences from the USA



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- **Hard power** is the use of military force, economics, and trade policies to force a change
 - Russia's invasion of Ukraine is a use of military 'hard' power
 - Economic sanctions have been imposed on Russia to try and deter them from their continued invasion of Ukraine
- A combination of hard and soft power leads to the development of **smart power**, where balance of power is maintained



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The scale of hard and soft powers

Rising Superpowers

- The USA was left as the only superpower after the collapse of communism and the breakup of the USSR after 1991
- However, some argue that it is losing its superpower status due to a number of factors
 - The unsuccessful involvement in Iraq and Afghanistan in an attempt to end terrorism following the September 2001 terrorist attacks
 - The 2008 global financial crisis left the USA with declining economic strength, while other nations gained ground
 - During the Trump presidency, the USA took on an inward-looking policy of 'America First' and reduced its overseas commitments
- There are a number of nations that are regarded as emerging superpowers
 - The European Union (EU)
 - The **BRICS** nations:
 - Brazil

- Russia
- India
- China
- South Africa, although this is more regional power



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Examiner Tips and Tricks

Remember that BRICS countries have separate strengths and weaknesses that allow them to dominate in one or more areas of influence.

- Over recent years, there has been the emergence of the MINT economies as successors to the BRICS
 - Mexico
 - Indonesia
 - Nigeria
 - Türkiye (Turkey)
- These countries have the potential for rapid economic growth and a rise in global importance but could suffer as a result of corruption, political instability and economic crises

USA Military-Industrial Complex (MIC)



Case Study

- Military-Industrial Complex (MIC) describes the connection between a country's government, its military and the industry that supplies it, known as the defence industry
- The reach of a country's military is key to the level of power they have:
 - A global reach means that the military can be used to achieve geopolitical goals
- The size and power of the military are dependent on a number of factors, including:
 - The size and age of the population to maintain the size of the military
 - Defence spending on the military: personnel, technology and weapons
- Superpowers and emerging powers have:
 - Large military forces
 - Nuclear weapons



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- Export arms
- Influential roles in international military organisations such as NATO
- The US Armed Forces is one of the world's largest and most technologically advanced military units
- It would not be able to maintain this without private defence contractors designing, testing, manufacturing, and implementing systems, weapons and vehicles for the government
- All this gives the US superiority over land, sea, and air (which includes space and communication)
- There is also a global US military presence, with overseas bases providing support, protection and training to other countries
- One-in-six US households has a family member involved in the MIC
- The US spends more on defence than China, India, Russia, France, Germany, Japan, South Korea, Brazil, Saudi Arabia and the UK combined
- In 2023, President Joe Biden allocated \$816.7 billion to military defence, which was more than half the federal discretionary budget
 - This left public health, education, job training and environmental protection agencies competing for the remainder
- In 2020, the Pentagon awarded \$75 billion in contracts to Lockheed Martin, which was more than the entire budgets of the State Department and International Development Agency
- It's estimated that the average US taxpayer spends \$270 on education, \$6 on renewable energy and \$1087 on weapons contractors per year

China's Rise to Power



Case Study

- Since 2000, China has been an emerging power and is identified as the main challenger to the USA's superpower status
- China has a large economic influence
 - It has the world's largest economy by purchasing power parity
 - But it remains below the US in GDP terms
 - US GDP per capita in 2022 was US\$68,615 compared to US\$21,804 in China
 - It is dubbed the 'world's factory,' and its manufacturing capabilities are unmatched due to its large population
 - China has invested in several regions, including Africa and Asia
 - China heavily invests in infrastructure
- China's geopolitical influence includes:
 - Being a permanent member of the UN Security Council allows China to wield influence by its veto power

- China's involvement in regional forums like the Shanghai Cooperation Organisation strengthens its local and global influence
- It has launched initiatives such as the Asian Infrastructure Investment Bank to increase its political influence
- China tends to stay out of global issues
- China is not a democracy and relationships with other nations are not always positive
- China promotes its language and culture globally through developments such as the Confucius Institute
 - Chinese festivals, especially the Lunar New Year, and other worldwide celebrations
 - Chinese cinema and arts are increasing in global approval
 - Chinese foods are increasingly popular around the world
- China's military force is ranked third as the most powerful and has an overall advantage with its available workforce
 - China has the second-largest defence budget globally and has nuclear capabilities, but it is not always well equipped
 - It has limited military reach, with only one overseas base
 - The navy rarely leaves the Indo-Pacific region
- As China continues to dominate, it must address challenges such as its ageing population, environmental issues and complex geopolitical circumstances such as territorial disputes



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4.1.3 Powerful Economic Groups

Intergovernmental Political & Economic Forums

- Global organisations and groups hold major influence over international affairs
- They have major impacts on economic, political and social landscapes
- The **G7 (Group of Seven)** is an elite group of 7 industrialised and high-income countries that represent more than 60% of the global net wealth
- Members consist of:
 - United Kingdom
 - United States
 - Italy
 - Germany
 - France
 - Japan
 - Canada
- In 1998, Russia was allowed to join the group as the only communist country, which gave rise to the **G8**
- However, Russia was expelled in 2014 with its annexation of Crimea
- They meet annually to discuss:
 - Global economic concerns, from debt crises to environmental policies
 - Issues of global governance
 - Addressing financial crises and economic downturns
 - International security and global health crises

The Group of Twenty (G20)

- The G20 represents a mix of the world's largest economies and emerging nations, accounting for about 85% of gross world product (GWP) and 75% of international trade
- Countries include Argentina, Canada, France, China, South Korea, Mexico and Saudi Arabia
- Established in 1999 with the responsibility of creating policies to further international financial stability and addressing global issues requiring the responsibility of several countries to solve

- They also address issues relating to global security, the increasing role of Asian economies in world economic development and the role of IMF and the World Bank in stabilising global financial markets
- The G20 also focuses on wider issues such as sustainable development, anti-corruption, and climate change mitigation
- Many have criticised the G20 as not being transparent, as it does not have a charter and meetings are usually held behind closed doors
- 171 countries are not represented

Organisation for Economic Co-operation and Development (OECD)

- The OECD is an international organisation where the governments of 38 countries work to develop policies for sustainable growth, equality, opportunities and well-being for all
- The organisation is funded by its member countries and contributions are based on the size of the member's economy
- The OECD originated from the Organisation for European Economic Co-operation (OEEC) which was formed when Canada and America provided foreign aid to help rebuild Europe after World War II
- Recognising the continued need for cooperation between countries, the OECD came into being in December 1960
- Since then, the OECD has helped to advance reforms and multilateral solutions to global challenges such as:
 - Improving education systems through the Programme for International Student Assessment (PISA)
 - Promoting local and regional development
 - Combating international tax avoidance by multinational corporations
 - Promotion of health and safety through testing and sharing of quality standards
 - Guiding economic reforms such as making telecommunications and broadband more competitive
 - Promoting responsible business conduct by producing guidelines for multinational enterprises, such as ethical supply chains and incorporating social and environmental considerations into standard business practice
- Its stated aim is to '**build better policies for better lives**' by:
 - Restoring confidence in markets
 - Re-establishing healthy public finances



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- Ensure that people of all ages develop skills to work productively
- Working towards strong, sustainable, green, inclusive and resilient growth for future generations
- Prioritising climate resilience and energy transition towards achieving net-zero greenhouse gas emissions



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Examiner Tips and Tricks

If you are asked how the OECD influences educational policies, then consider the PISA test. In fact, you may have been involved in this yourself. This is a triennial assessment that evaluates educational systems worldwide through testing the skills and knowledge of 15-year-old students. Countries can compare their educational outcomes and learn from top-performing nations to adopt best practices. This improves the quality of education and prepares students like yourself for the rapidly evolving global landscape.

Organisation of the Petroleum Exporting Countries (OPEC)

- OPEC describes itself as:



a permanent intergovernmental organisation of 12 oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries

- Others describe it as a cartel with considerable power to fix the worldwide supply and price of oil
- Founded in 1960 in Baghdad to tackle oil price cuts by American and European oil companies
- The 5 founding members were:
 - Iran (the second-largest producer in the Middle East)
 - Iraq (currently the sixth-largest oil producer in the world)
 - Kuwait (the fourth-largest crude oil producer in OPEC)
 - Saudi Arabia (the world's largest oil producer)
 - Venezuela (has the largest oil reserves in the world)
- OPEC's objective is to:

- Manage the supply of oil
- Stabilise the price of oil
 - Ensure profitability for member states
- Since the 1970s, more oil-producing countries joined, and OPEC has continued to increase its influence over oil production and prices
- In 2016, when oil prices were low, OPEC+ was formed between all OPEC members and 10 other oil-producing countries
- This alliance has provided even greater control over the global oil market, as it now controls over 55% of oil production
- Russia plays a significant role in the alliance, with the country being the world's second-largest oil producer
- OPEC+ can keep prices high by reducing supply or they can lower the price by adding supplies into the market
- The importance of oil means that countries need to maintain a good relationship with OPEC and OPEC+
- Even as the world moves towards cleaner energy sources, oil and its derivatives will still be needed in the future
- Therefore, OPEC will continue to remain the most important supplier of oil for the energy industry



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4.1.4 Global Lending Institutions

World Bank (WB)

- Founded in 1944 under the Bretton Woods Agreement, the International Bank for Reconstruction and Development—soon called the **World Bank (WB)**—has further expanded to an associated group of five development institutions called the **World Bank Group (WBG)**
- **Headquartered in Washington, DC**, its original loans helped **rebuild countries** devastated by **World War II**
- Now it is an **international organisation** that provides loans to developing countries with the overall aim of reducing poverty
- Currently, the WB has **189 member countries**, and its operations are **financed** by member country **contributions**, borrowing in the capital markets and earnings from its investments
- The WB has **two main branches**: the **International Bank for Reconstruction and Development (IBRD)** and the **International Development Association (IDA)**
- Loans are used for projects such as building schools and hospitals, improving literacy and agricultural reform
- As of 2022, the WBG identified 17 goals that it aims to achieve by 2030
- The top two are:
 - End extreme poverty by reducing the number of people living on less than \$1.90 a day
 - Increase overall prosperity by increasing income in the lower 40% of every country in the world
- The WB provides financing, advice and other resources to developing countries in areas of education, public safety, health, etc.
- Often, other nations, organisations, and institutions partner with the WBG to sponsor development projects
- In 2017, the WB created the **Human Capital Project** to help countries invest and develop skills for its citizens to be productive and active contributors to their country's economy
- The project outlines that governments should invest in education, affordable childcare and increasing women's access in order to improve employment opportunities

Criticisms of the World Bank

- Some of the major criticisms include:
 - Loans are often tied to 'conditionalities' based on a model of western free markets



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- Some of the funded projects have had negative environmental and social impacts, including forced displacement of communities, destruction of ecosystems, and human rights violations
- Criticised for its lack of transparency and accountability in its decision-making processes
- Decision-making processes are influenced by major shareholders, particularly the United States, which lead to policies that benefit those countries rather than the receiving countries
- In response to criticism on its policies of economic development to reduce poverty, the WB has begun to engage more with stakeholders and communities to identify their needs and wants

International Monetary Fund (IMF)

- The International Monetary Fund (IMF) promotes global economic growth and financial stability by encouraging international trade to reduce poverty
- The **International Monetary Fund (IMF)** is sister to the World Bank and was founded in 1945 as part of the Bretton Woods agreement to **bring financial stability** to the world after World War II
- Based in Washington, DC, the IMF helps **currencies** be **exchanged** freely and easily between 190 global member countries

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The IMF describes this as 'smoothing the bumps in the flow of foreign exchange', to ensure there is always 'enough foreign exchange to continue to do business with the rest of the world'.

- The IMF is funded by quota subscriptions, depending on the size of a member country's economy
- Quotas allow members to have enough **foreign exchange** to do business with the rest of the world
- The IMF collects vast amounts of data on national economies, international trade and the global economy and provides economic forecasts
- The IMF's principal function is to make loans to countries that are facing economic trouble to prevent or lessen a financial crisis
- The IMF provides advice and financial assistance to struggling members
- The IMF also issues grants to encourage a country to develop economic independence through education

Criticisms of the IMF

- The main criticism of the IMF has been for lending with **imposed conditions**, such as:
 - Telling a country how to run its economy

- Making payback a priority on the loan
- Forcing financial concerns ahead of social care
- Opening up their economy to FDI and free trade
- Countries under IMF programmes are usually developing or emerging, or countries that have faced financial crises



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New Development Bank (NDB)

- The New Development Bank (NDB) was originally known as the BRICS Development Bank and is a multilateral financial institution
- It was established in 2014 by the BRICS countries of Brazil, Russia, India, China and South Africa as an alternative to the World Bank and the IMF
- The NDB has its headquarters in Shanghai, China, along with regional offices in all BRICS member countries
- The NDB aims to finance sustainable development and infrastructure projects in BRICS member countries, developing countries and other emerging economies
- Since its launch, 4 other nations have become members:
 - Bangladesh
 - UAE
 - Egypt
 - Uruguay

How is the NDB different?

- Currently, the existing model of development is through improvement of a country's economic market
- The NDB argue that these policies are socially harmful, environmentally unsustainable and have led to a widening of inequality within and between countries
- The NDB aims to be transparent and accountable, along with being socially and environmentally sustainable and respectful of human rights whilst meeting the needs of poor and marginalised communities

What are the bank's focus areas?

- Prioritising infrastructure and sustainable development projects
- Supporting member countries to transition towards low-emission energy production and efficiency— they will not support coal-fired energy production

- Invest in sustainable, reliable, and accessible transport infrastructure projects that use technology to improve efficiency and reduce GHG emissions
- Supporting projects that improve, manage and generate access to clean drinking water and adequate sanitation
- Financing new and emerging technologies to mitigate the impact of emissions
- Investing in projects that conserve and restore key ecosystems, improve management of natural resources and reduce the impact of socio-economic activities on the environment
- Investing in projects that build, improve, or expand digital infrastructure, particularly in remote regions, to provide universal access and reduce online costs
- Supporting social projects such as building and modernising schools, hospitals, affordable housing, cultural heritage sites and other social services that support human development, quality of life and living standards



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Criticisms of the NDB

- Critics have said that the NDB is still making the same mistakes as the financial institutions it was designed to replace
- Members have different or competing visions and these geo-politics prevent projects from being completed or started
 - India and China have border disputes and trade disagreements
 - China, Russia, and India compete for dominance
 - South Africa has been accused of corruption
- Many projects have only been discussed and not started or completed
- The NDB froze all negotiations with Russia over its invasion of Ukraine, which has reduced available funds



Examiner Tips and Tricks

Make sure you take a balanced approach when writing about global organisations. Avoid personal feelings about the organisation and their approach to financing projects.