HL IB Geography

Your notes

6.1 Geopolitical & Economic Risks

Contents

6.1.1 Threats to Individuals & Businesses

Technology Threats

Hacking

- **Cyberattacks or hacking** are a major **threat** to **all internet users**

- They can range from small-scale disruptions to large-scale disasters

- They can have a significant impact on individuals, businesses, and governments

  - A data breach of **French health insurance companies** in January 2024 affected **33 million French citizens**, or nearly half the country's population

  - The attack compromised sensitive dates of birth, social security, and marital status information, but not medical history

  - In 2023, Russian hackers attacked 65 Australian government departments and agencies and stole 2.5 million documents in **Australia's largest government cyberattack**

- **Cybercrime** is on the rise, with over 2.3 million cyber attacks being reported in the UK in 2023 alone, with the average attack costing businesses £3,230 each

- According to IT Governance, in December 2023 alone, 2 241 916 765 records were breached, with more than one in four incidents being ransomware attacks

- The 3 most breached sectors are:

  - Finance

  - Manufacturing

  - Healthcare

Identity theft

- One of the most **rapidly expanding** crimes is identity theft

- Cybercrime is different from other crimes as the victim is usually located away from the offender

- **Identity theft** incidents have increased with the **rise of computers**, many of which have inadequate security

- Also, some **criminals** find identity theft more **attractive** due to the low prosecution rates and lenient sentencing

- A study of identity theft in the USA found that certain populations were at greater risk than others and included:

  - University students

  - Military personnel

  - The elderly

  - Medical patients

  - Identity theft of the deceased

- Stolen identity can be used for unauthorised purchases, loan applications, or even tax fraud, leading to **financial consequence** for the victim

- People can be **wrongfully accused** of crimes committed under their stolen identity

- Businesses face **financial losses** and it is time consuming to sort claims and rectify identity theft issues

Personal freedoms

- In 2013, the UN published a report that linked **state surveillance and freedom of expression**

- It was concerned over the threat to the **right to privacy**

- **Modern surveillance** technologies allow states to **intrude** into personal and private lives

- **Unwarranted surveillance** infringes on individual rights to lead a **private life** and is considered an **invasion of privacy**

- Being constantly watched restricts **freedom of speech** and deters individuals from expressing their views, opinions, or concerns openly

- **Data collected** through state surveillance can be misused for political gains, or even sold to third parties

- Excessive **workplace surveillance** creates an atmosphere of distrust, leading to reduced employee morale and productivity

- Businesses face legal and regulatory challenges by violating privacy laws

Threats to Global Supply Chains

- **Supply chains** stretch across continents, making them susceptible to a variety of risks

- These risks can be

  - **Political**

  - **Economic**

- Physical

The Risk and Impact to Supply Chains

Risk	Impact
Political	Abrupt policy shifts, embargoes, or sanctions can create **trade disruptions**, **Geopolitical tensions**, wars, or uprisings in a region severely disrupt supply chains, affecting both sourcing and distribution
Economic	Economic uncertainties or market crashes alter the demand-supply dynamics Fluctuations in exchange rates increase import costs and export profits
Physical	Poor **infrastructure** causes delays and increases transport costs **Natural disasters** can stop production or transportation for long periods of time **Global health emergencies**, like the COVID-19 pandemic, disrupt supply chains by reducing the workforce, production, and logistics

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6.1.2 New & Emerging Threats

Profit Repatriation & Tax Avoidance

- A **state** is a nation, country or territory that has an organised **political community** by one government and over which no other state has any power or sovereignty—in other words, a self-governing nation

- **Profit repatriation** is where the **profits earned** from a foreign operation are **returned** to the company's **home country**

- When profits are constantly transferred and not reinvested in the country, the local economy loses out on potential growth opportunities, such as

  - Infrastructure development

  - Job opportunities

- **Economic dependency** can occur as nations become financially dependent on foreign companies, which limits their economic sovereignty and policy-making

- The outflow of money can influence **currency demand** and **supply** , which can lead to the **devaluation** of currency, making imports more expensive for the host country

Tax avoidance

- Tax avoidance uses **legal loopholes** to reduce a company's or personal tax bill

Impacts of Tax Avoidance on State Sovereignty

Impact	Effect
Loss of state revenue	TNCs make large profits in other countries, but pay very little tax, leaving the government with less money for domestic services such as education and health
Economic inequality	As TNCs and wealthy individuals pay less tax, the average citizen often has a higher tax responsibility, leading to economic disparities
Policy challenges	Governments need to constantly update tax laws to close loopholes, leading to complex and extensive regulations
Eroded public trust	The idea that the wealthy or big corporations evade taxes, diminishes public trust in governmental and financial systems

Disruptive Technologies

- Advancements in technology can drive progress but also challenges state sovereignty, particularly when regulations are unable to keep pace

- The rise of **drones**, both commercial and leisure, has raised issues in multiple sectors

Impact of Drones on State Sovereignty

Sector	Impact
National Security	Border security is challenged as drones can easily cross over, bringing drugs or conducting illicit surveillance Drones can be weaponised, avoid national security measures and used in terrorist attacks
Privacy	Drones equipped with cameras can infringe on personal privacy, leading to potential legal and ethical issues
Airspace	With the number of drones increasing, airspace management to prevent air collisions becomes vital

3D printing

- This technology has huge potential but also carries risks

- There is the potential for 3D printers to produce **firearms** or other **weapons**

  - The ease of production bypasses state regulations, leading to illegal weapons being circulated around the globe, particularly as many of the components are not identified on X-ray in airports

- 3D printing can **replicate patented products**, leading to intellectual property infringements, and challenging states to enforce protections

- As 3D printing becomes **more accessible**, traditional **manufacturing** industries may **suffer**, leading to economic shifts and potential job losses

Cyber Threats

- Cyber threats directly challenge state security through:

  - Some nations might employ **state-sponsored attacks** by using hackers to disrupt another country's infrastructure or steal sensitive information, leading to geopolitical tensions

  - Targeting **financial institutions** can cause huge financial losses and undermine economic stability

- Vital **infrastructure**, such as energy grids, can be targeted, potentially crippling a nation
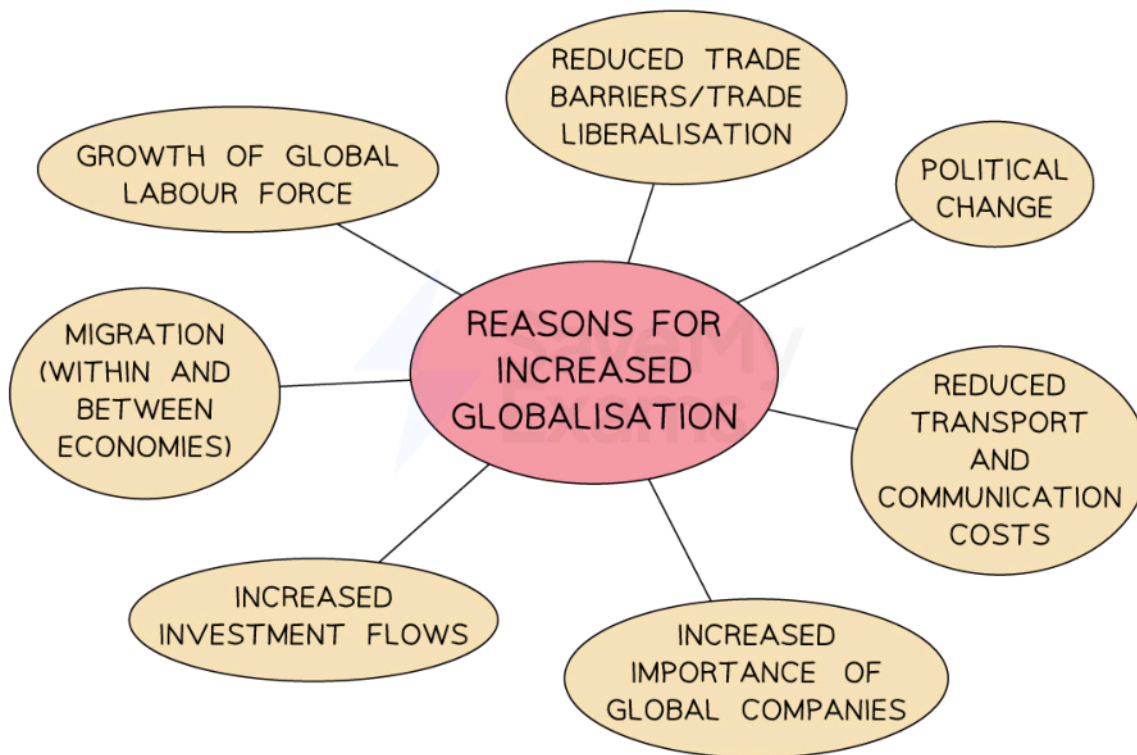
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Increased Globalisation

- There are many reasons for the increasing levels of globalisation, which are dependent on the 'character' of the country itself

Factors leading to increased globalisation depends on the country

Factor	Impact
Political Change	Each change of government influences trade deals, e.g. exports increased when China joined the World Trade Organisation
Transport and Communication	Advances in transport and technology have made it easier and cheaper for buyers and sellers to connect

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Rise in TNCs	The increase in the number of TNCs operating globally has increased pressure on countries to engage in free-trade
Flows of Investments	Foreign direct investment (FDI) increases jobs and wealth and allows business to operate in countries where they may have faced trade barriers
Migration and Global Labour Force	The ability to move from place to place has increased the global labour force, especially in growing economies such as India and China
Sector Change and Offshoring	When a country changes its main industry sector and moves production off-shore, it speeds up the process of globalisation

- These factors have led to modern globalisation

- However, this has affected places differently, such as:

  - Variations in poverty

  - Resource availability and accessibility

  - Government policies and attitudes for and against globalisation

- This has resulted in some groups of people viewing it as a process that has **improved** other people's lives but **made** their **own worse**

- Resistance movements have grown within countries that oppose '**business as usual'** politics and support globalisation

- Opposition groups, such as Occupy, do not want a return to a pre-Internet age but want the influence of global corporations and financial institutions reduced

- These groups support global citizenship and use media networks to spread a global anti-capitalist message

Case Study

- The South China Sea Dispute highlights how nationalism can escalate geopolitical tensions and potential conflict
- The South China Sea's have a wealth of resources and are an important trade route
- This has led to territorial claims by multiple nations
- China has made sweeping claims of sovereignty over land and waters, which have angered competing claimants like Vietnam, the Philippines, Taiwan, Malaysia and Brunei

- China has backed its claims with island-building and naval patrols, leading to potential flashpoints
- The dispute has caused diplomatic tensions, with countries like the US taking sides, further complicating the situation
- In early 2023, the Philippines claimed that Chinese vessels had been shining lasers at boats to temporarily blind their crew
- Other claims include dangerous manoeuvres by sailing too close, blocking the Filipinos' path and firing water cannons at vessels

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Examiner Tips and Tricks

Do not confuse nationalism, tribalisation and tribalisation of politics.

Nationalism is a common identity at a national level.

Tribalisation is organising a society into groups/tribes and promoting a tribal identity and customs.

Tribalisation of politics is the growth of **political** groups opposed to the continued rise of globalisation and westernisation.

Renewed Nationalism

- **Renewed nationalism** has resulted from the **growing unease in rising inequality** and poor economic growth within developed countries

- The more recent increase in nationalism has been partly because of the financial crash of 2008 along with **rising immigration, particularly across Europe**

- Globalisation has brought many changes, and people are looking for security and **stability** in national or local features such as a **shared culture, history or language**

- This new nationalism has many forms

    - **Protectionist** policies, such as trade barriers

    - Policies **favouring** domestic workers

    - **Anti-immigration** measures

    - **Nationalisation** of resources

- A country facing economic decline and lack of opportunities comes to view globalisation and what it stands for as the root cause and **resentment** grow

- Examples of renewed nationalism include:

- The UK's vote for Brexit

- The election of President Trump

- The EU's growth of right-wing political parties

- Summit meetings of the powerful G7 and OECD groups agree that there needs to be a reduction of inequality and improvement of benefits

- This would reduce political tribalism and the rise of disruptive and sometimes dangerous populist movements

Case Study

Brexit, 2016

- This was a significant geopolitical event and highlighted the **complexities** between globalisation and nationalism
- The European Union (EU) represents integration and cooperation but found itself at odds with rising nationalist sentiments in the UK
- Many in the UK felt their economy was tied too closely to EU regulations, leading to perceived economic disadvantages
- Rising immigration from EU countries led to concerns about British cultural erosion and job competition
- The EU's influence in British laws became contentious, fuelling a rise in the loss of sovereignty