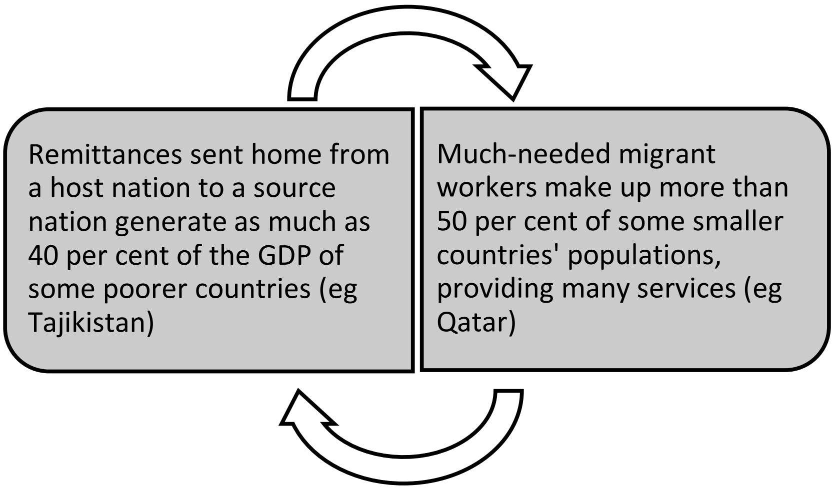
Forms of interdependence and resulting issues
3.2.1.2 Global systems and global governance

What you need to know
Forms of economic, political, social and environmental interdependence
Positive and negative consequences of global flows of people, money, ideas and technology
Ways in which powerful states influence global systems and globalisation resulting in unequal power relations

Introduction

Interdependency means that what happens in one place increasingly has impacts on other places. If a natural disaster or conflict impacts negatively on a host country for migrants, then the value of remittances sent to their home (source) countries may be reduced. This adversely affects people in the source countries who have become dependent on financial flows from their family overseas.



Different forms of interdependency

The table below illustrates four different ways in which people and places have become more interdependent over time.

Economic interdependence	Globalisation has led to a rise in international migration. A record number of people moved abroad for work in 2015. There is now a total of more than 230 million people worldwide living in a country they were not born in. Some sectors of the UK economy are highly dependent on eastern European labour; Eastern Europe, in turn, relies on migrant remittances from the UK. In 2016, after the UK voted to leave the EU, the value of the UK Pound fell, meaning that it became worth fewer Euros or Dollars. Overnight, the money sent home by migrant workers fell in value by over 10 per cent.
Political interdependence	One viewpoint on globalisation is that economic interdependence leads to political interdependence. In the 1990s, Thomas Friedman - a US political journalist - proposed his ‘golden arches’ theory of conflict prevention. Two countries with McDonald’s restaurants will never wage war because their economies are interlinked, according to Friedman (the 2014 conflict between Russia and Ukraine has weakened this argument, however).

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Social interdependence	Social ties between two countries can be strengthened through migration. The arrival of a large Indian diaspora (collective migrant) population in the UK has deepened the country's interconnectedness with India, both economically and also socially. Extensive family networks now straddle the two countries.
Environmental interdependence	All states are environmentally interdependent to some extent due to their shared use of "global commons" such as the atmosphere and oceans. For our mutual survival, we must all trust that other states and their citizens will work towards the shared goals of climate change mitigation and biodiversity protection. Some forms of environmental interdependency are unsustainable, however. Many countries in southeast Asia are being stripped of Siamese Rosewood due to the ability of China's emerging middle class to purchase hardwood furniture that used to be out of their price range. Forest loss may become irreversible if it continues at its current rate.

Benefits and costs of interdependency

Unequal flows of capital, labour, products, services and information between interdependent places can have both positive and negative effects on different groups of people and environments:

- In some cases, these unequal flows can act to promote stability, growth and development by equalising conditions and reducing internal tension and conflict.
- In other cases they can cause inequalities, conflicts and injustices for people and places.

Beneficial effects may include:

- **Remittances:** As we have already seen, the money sent home by migrants is a very important source of income for many societies.
- **Labour flows:** Some states like Qatar and Singapore depend on migrant labour for their prosperity. Many global businesses and institutions have located their Asia-Pacific head offices in Singapore, including the bank Credit Suisse. Many foreign employees and their families have relocated there and as a result Singapore has many international schools which recruit teachers from around the world.
- **Inflows of foreign direct investment (FDI):** Average incomes have soared amongst Asian 'tiger' economies which have been major recipients of American, European and Japanese FDI. Worldwide, one billion people have escaped US$1.25-a-day poverty since 1990; over 500 million have escaped poverty in China alone. The term 'new global middle class' is used to describe the growing proportion of urban working people who have emerged out of rural poverty. Some work in the manufacturing sector in Bangladesh and China. Others belong to services industries in India and the Philippines. Without inflows of capital from abroad for investment in key projects, this growth would have been hard, if not impossible, to achieve.
- **Capital flows to countries where TNCs are headquartered:** In return, the countries where **Transnational Corporations** have their headquarters also benefit from globalisation. This is because of huge corporation taxes paid by successful global businesses to their "host" governments. Apple, with its HQ in California, paid US$6 billion to the US government in 2012; ExxonMobil handed over US$31 billion. In the past, most TNCs were domiciled in wealthy countries such as the USA. Ireland has attracted the European HQs of companies like Amazon and Google with its

'lowest in Europe' business tax rate (12.5%) to stimulate its economy. Increasingly, successful TNCs are based in emerging economies too. India is the home of Tata; Chinese has companies like Lenovo, Xiaomi, OnePlus and Huawei.

- **Lending:** Interdependency also stems from IMF and World Bank lending to countries. The World Bank lent Laos US$1 billion to build a dam on the Nam Theun River. The dam generates hydroelectric power. Laos now earns US$2 billion annually by selling electricity to its neighbour, Thailand. This is enough money to pay back the loan and to increase the GNI of Laos, while helping Thailand too.
- **Information flows:** Access to mobile internet services is transforming people's lives in developing countries. Small businesses in Kenya are thriving thanks to smartphone apps. Indian call centre workers enjoy a much higher standard of living than their parents did. The growth of global data networks fosters global interdependency while also improving people's quality of life in many societies.

Key point: Capital outflows from developed and emerging economies may take the form of (a) **foreign direct investment** by TNCs in new markets or (b) **sovereign wealth fund** (SWF) investment. SWFs are government-owned investment funds and banks, typically associated with China and countries that have large revenues from oil, like Qatar. This is an important distinction because TNCs are privately owned while SWFs are state-controlled.

Unequal flows between interdependent places can, however, have harmful effects too.

- **Loss of profits:** The repatriation of profits by TNCs to their home country may limit the benefits felt by those developing countries where low-wage factories and offices have been established as a result of FDI. Consequently, there may only be a limited "trickle-down" of wealth for local societies. Profits are siphoned back home.
- **Environmental degradation:** Chinese cities suffer from a phenomenon called "airpocalypse' by the western media. Air pollution reduces life expectancy by up to five years, according to the World Health Organisation (WHO). In Accra, Ghana, entire families undertake the dangerous work of breaking down old computer monitors brought in from Europe, and melt circuit boards down to extract the high-value metals - while generating large amounts of waste, which is discarded.
- **Worker exploitation:** The "exporting" of unethical or immoral workplace practices to developing countries has been condemned by critics of globalisation. They argue that economic interdependency has, in reality, resulted in dangerous working conditions for people in countries like Bangladesh, Vietnam and India. Other concerning issues include child labour and highly unequal pay for men and women in some global supply chain workplaces, combined with over-long working hours.
- **Brain drain:** International migration has meant that many developing countries and emerging economies have suffered a loss of skilled workers. Many Indian and Polish doctors and dentists have migrated to the UK. Also, while remittances help compensate for the labour loss and brain drain in the short-term, there is no guarantee remittances will continue to be sent in the long-term. Children of Polish migrants born in the UK may feel less connected to Poland and might send less money in the future.

Key point: The decision-making of TNCs may affect who benefits most from the global flows which their activities generate. In recent years, some European-based TNCs have relocated their headquarters to Ireland, Luxembourg or the Netherlands where corporate taxes are very low. There is evidence showing the GDP of Ireland has grown at the UK's expense due to the re-routing of profit flows by TNCs like Starbuck and eBay.